

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name GRAND TRAVERSE COUNTY	County GRAND TRAVERSE
Audit Date DECEMBER 31, 2004	Opinion Date MAY 31, 2005	Date Accountant Report Submitted to State: JULY 27, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

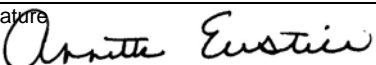
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 250 E FRONT STREET	City TRAVERSE CITY	State MI	Zip 49684
Accountant Signature 			

GRAND TRAVERSE COUNTY

Traverse City, Michigan



FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2004**

GRAND TRAVERSE COUNTY, MICHIGAN

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FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

May 31, 2005

Board of Commissioners
Grand Traverse County
Grand Traverse County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Grand Traverse County, Michigan*** (the "County"), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Health Special Revenue Major Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations and the SEC disclosures listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules along with the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The SEC disclosures have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

As management of ***Grand Traverse County, Michigan***, (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004.

Financial Highlights

- The assets of the County's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$47,843,279 (*net assets*). Of this amount, \$13,863,034 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets of the governmental activities increased by \$6,562,120.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,357,559, an increase of \$5,723,466 in comparison with the prior year. Approximately 65 percent of this total amount, or \$11,262,811, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,466,175, or 14.3 percent of total General Fund expenditures and transfers out.
- The County's total debt decreased by \$1,892,779 (6 percent) during the current fiscal year. This decrease represents principal payments made by the County's building authority, a blended component unit, changes in compensated absences and payments on notes during 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), health and welfare and recreation and culture. The business-type activities of the County include the medical care facility, delinquent tax collections, inspections and solid waste.

The government-wide financial statements include not only Grand Traverse County itself (known as the primary government), but also a legally separate Road Commission, Department of Public Works, Drain Commission, Brownfield Redevelopment Authority, and Economic Development Corporation, for which Grand Traverse County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Grand Traverse County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, County Health and Revenue Sharing Reserve Funds, each of which are considered to be major funds. Data from the other 34 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds, except for the Revenue Sharing Reserve Special Revenue Fund.

The governmental fund financial statements can be found on pages 16-26 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, delinquent tax collections, inspections and solid waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Grand Traverse County uses internal service funds to account for its computer equipment maintenance and replacement, insurances, fringe benefits, vehicle usage, and office supplies. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Grand Traverse Pavilions and the 2003 Tax Levy, both of which are considered to be major funds. The internal service funds are combined into a separate single, aggregated presentation in the proprietary fund financial statements. Individual fund data for nonmajor enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 27-30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules, Single Audit and SEC disclosure information. Combining and individual fund statements and schedules can be found on pages 60-95 of this report, with the single audit and SEC disclosure information immediately following.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Grand Traverse County, assets exceeded liabilities by \$69,521,475 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (52 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Grand Traverse County's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 36,033,798	\$33,878,133	\$18,724,354	\$ 19,078,087	\$ 54,758,152	\$ 52,956,220
Capital assets, net	<u>35,446,616</u>	<u>35,769,009</u>	<u>31,625,876</u>	<u>32,331,744</u>	<u>67,072,492</u>	<u>68,100,753</u>
Total assets	<u>71,480,414</u>	<u>69,647,142</u>	<u>50,350,230</u>	<u>51,409,831</u>	<u>121,830,644</u>	<u>121,056,973</u>
Long-term liabilities outstanding	7,247,915	6,109,055	23,692,691	25,011,085	30,940,606	31,120,140
Other liabilities	<u>16,389,220</u>	<u>22,256,928</u>	<u>4,979,343</u>	<u>4,990,794</u>	<u>21,368,563</u>	<u>27,247,722</u>
Total liabilities	<u>23,637,135</u>	<u>28,365,983</u>	<u>28,672,034</u>	<u>30,001,879</u>	<u>52,309,169</u>	<u>58,367,862</u>
Net assets						
Invested in capital net of related debt	29,096,181	28,809,637	7,002,334	6,489,652	36,098,515	35,299,289
Restricted	4,884,064	-	-	-	4,884,064	-
Unrestricted	<u>13,863,034</u>	<u>12,471,522</u>	<u>14,675,862</u>	<u>14,918,300</u>	<u>28,538,896</u>	<u>27,389,822</u>
Total net assets	<u>\$47,843,279</u>	<u>\$41,281,159</u>	<u>\$21,678,196</u>	<u>\$ 21,407,952</u>	<u>\$69,521,475</u>	<u>\$ 62,689,111</u>

The balance of *unrestricted net assets* (41 percent or \$28,538,896) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$6,832,364 during the current fiscal year. This growth is due mainly to an increase in property tax revenues of \$6,287,186 (38 percent) during the year. Most of this increase is the result of the early recognition of \$5,550,000 in tax revenue to establish the Revenue Sharing Reserve Fund and the product of increased taxable values and residential growth.

Grand Traverse County's Changes in Net Assets

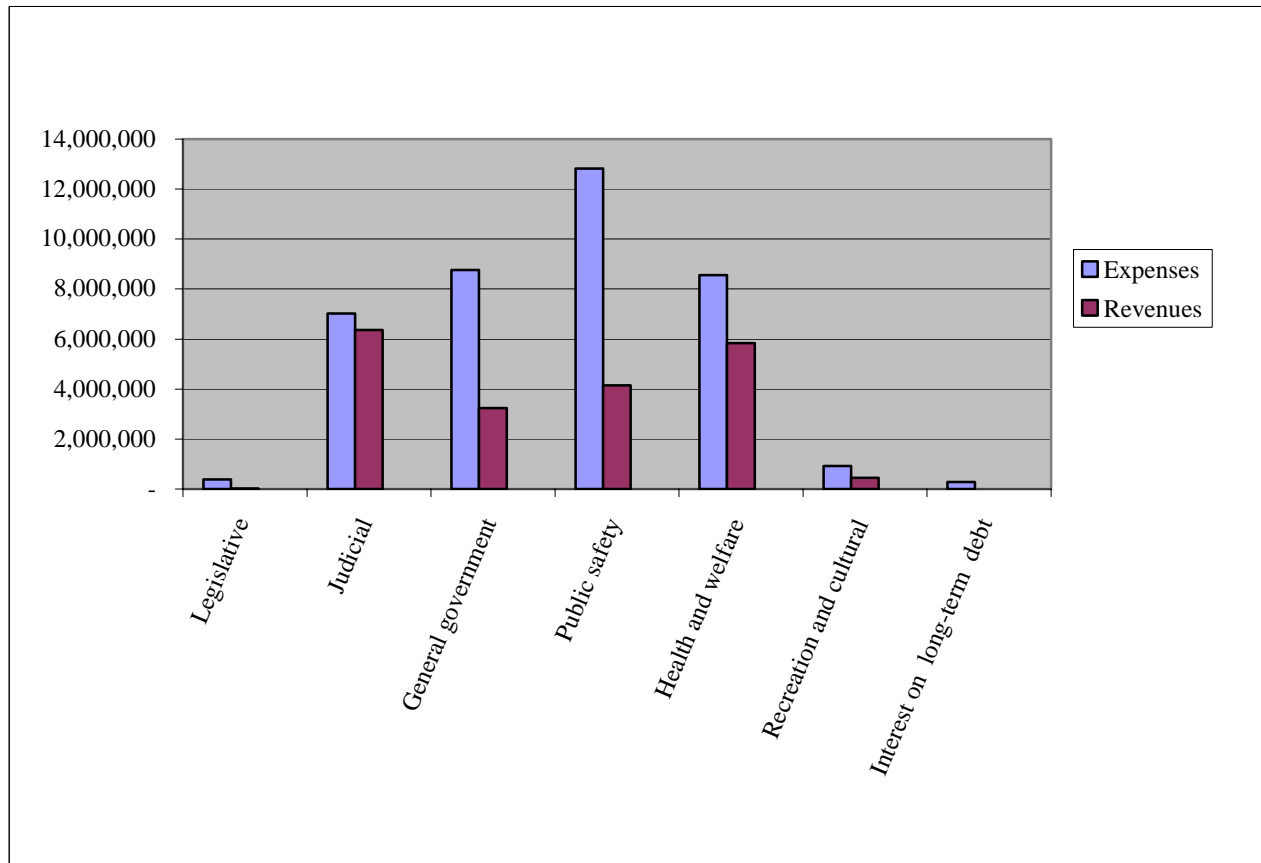
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue						
Program revenue						
Charges for services	\$ 9,567,333	\$ 10,698,847	\$ 29,133,903	\$ 35,114,585	\$ 38,701,236	\$ 45,813,432
Operating grants and contributions	10,527,163	9,780,880	135,881	215,237	10,663,044	9,996,117
Capital grants and contrib.	17,021	14,735	-	-	17,021	14,735
General revenue						
Property taxes	22,907,266	16,620,080	2,102,336	2,013,550	25,009,602	18,633,630
Grants and contributions not restricted to specific programs	465,377	1,265,789	-	-	465,377	1,265,789
Other	<u>735,450</u>	<u>807,340</u>	<u>156,218</u>	<u>139,953</u>	<u>891,668</u>	<u>947,293</u>
Total revenue	<u>44,219,610</u>	<u>39,187,671</u>	<u>31,528,338</u>	<u>37,483,325</u>	<u>75,747,948</u>	<u>76,670,996</u>
Expenses						
Legislative	385,490	384,359	-	-	385,490	384,359
Judicial	6,994,719	7,043,001	-	-	6,994,719	7,043,001
General government	8,828,518	9,059,972	-	-	8,828,518	9,059,972
Public safety	12,735,606	13,332,306	-	-	12,735,606	13,332,306
Public works	-	1,640	-	-	-	1,640
Health and welfare	8,542,566	8,784,362	-	-	8,542,566	8,784,362
Recreation and cultural	963,074	820,792	-	-	963,074	820,792
Interest on long-term debt	281,040	270,464	-	-	281,040	270,464
Inspections	-	-	1,474,291	1,414,494	1,474,291	1,414,494
Medical care facility	-	-	28,068,660	34,240,667	28,068,660	34,240,667
Solid waste	-	-	633,930	316,824	633,930	316,824
Delinquent tax	<u>-</u>	<u>-</u>	<u>7,690</u>	<u>7,879</u>	<u>7,690</u>	<u>7,879</u>
Total expenses	<u>38,731,013</u>	<u>39,696,896</u>	<u>30,184,571</u>	<u>35,979,864</u>	<u>68,915,584</u>	<u>75,676,760</u>
Increase in net assets before transfers	5,488,597	(509,225)	1,343,767	1,503,461	6,832,364	994,236
Transfers and indirect expenses	<u>1,073,523</u>	<u>1,037,990</u>	<u>(1,073,523)</u>	<u>(1,037,990)</u>	<u>-</u>	<u>-</u>
Increase in net assets	6,562,120	528,765	270,244	465,471	6,832,364	994,236
Net assets – beginning of year	<u>41,281,159</u>	<u>40,752,394</u>	<u>21,407,952</u>	<u>20,942,481</u>	<u>62,689,111</u>	<u>61,694,875</u>
Net assets – end of year	<u>\$47,843,279</u>	<u>\$41,281,159</u>	<u>\$21,678,196</u>	<u>\$21,407,952</u>	<u>\$69,521,475</u>	<u>\$62,689,111</u>

Governmental activities. Governmental activities increased the County's net assets by \$6,562,120, accounting for 96 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

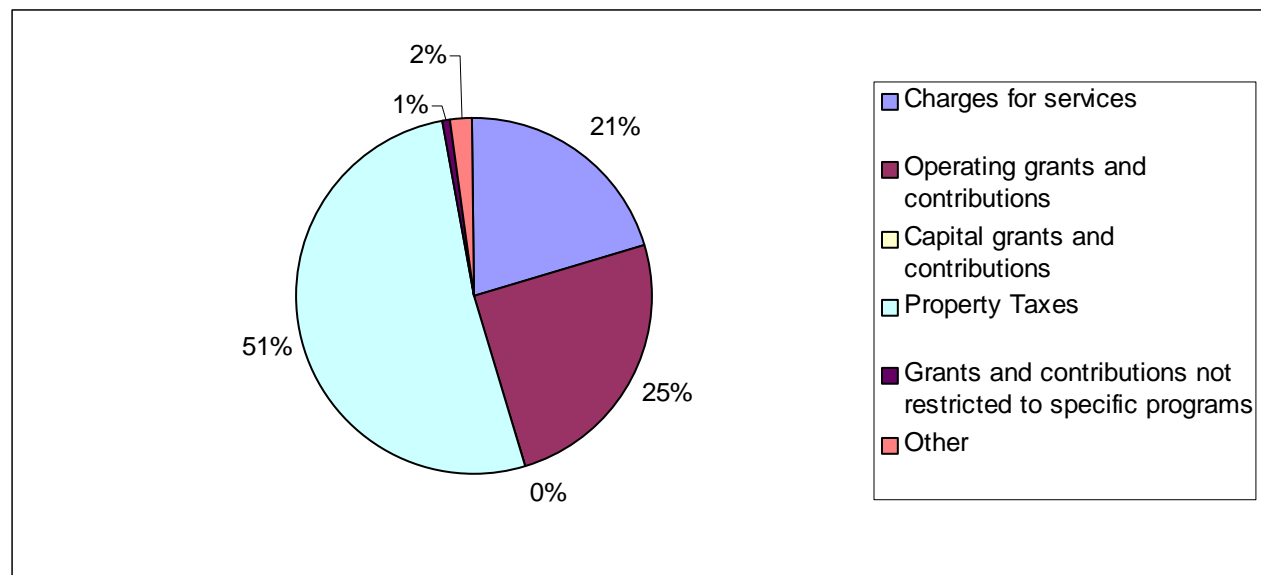
- Property taxes increased by \$6,287,186 (38 percent) during the year. Most of this increase is the result of the early recognition of \$5,550,000 in tax revenue to establish the Revenue Sharing Reserve Fund and the product of increased taxable values and residential growth.

- Although state revenue sharing was eliminated after August 2004, the County expenses were well within anticipated revenues. This is due, in part, to the dedicated effort by all departments to minimize spending to offset a tight budget anticipated in 2004.

Expenses and Program Revenues - Governmental Activities

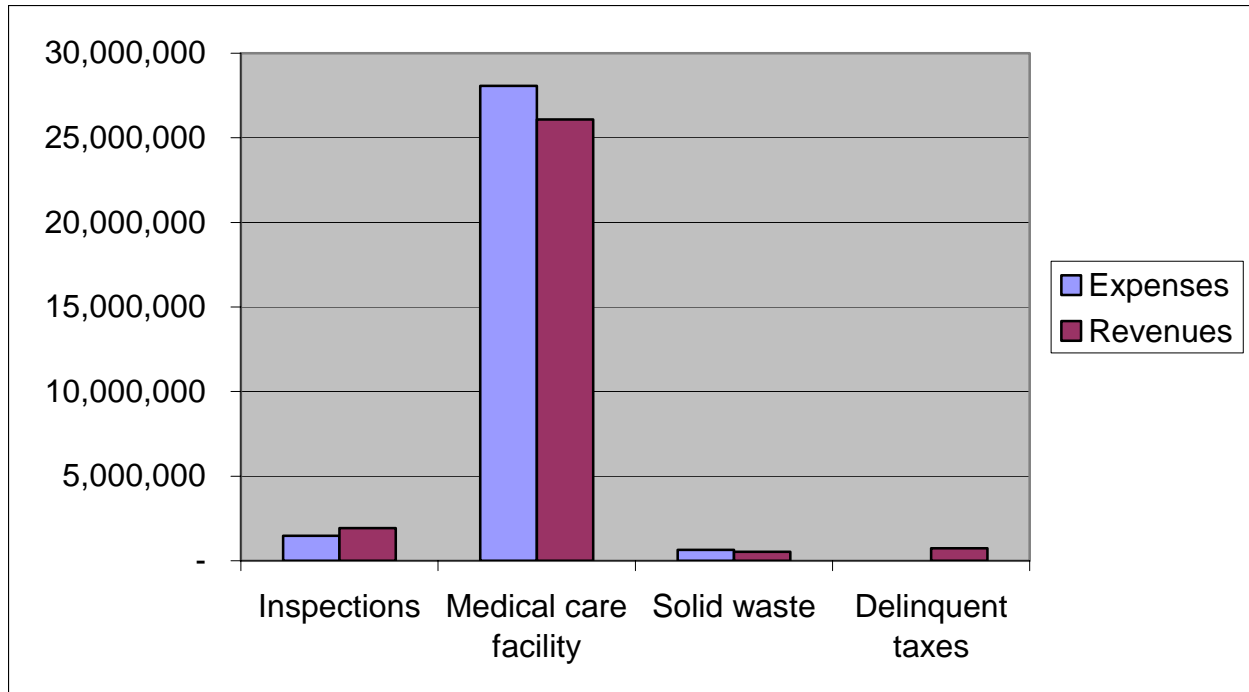


Revenues by Source - Governmental Activities

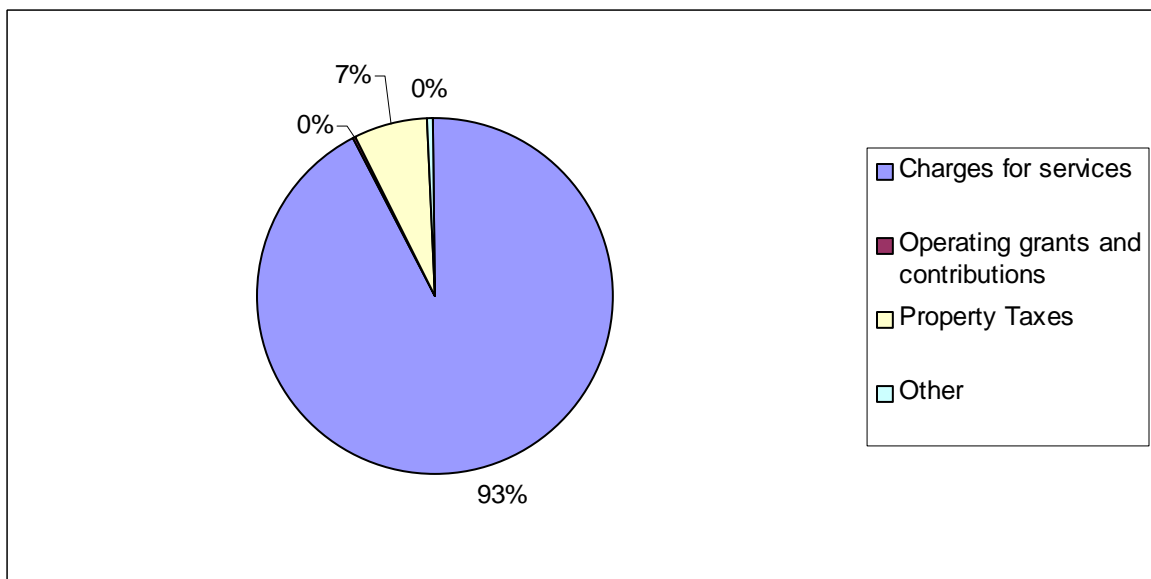


Business-type activities. Business-type activities increased the County's net assets by \$270,244, accounting for 4 percent of the total growth in the government's net assets for the current year. There is no one identifying key element for this increase.

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,357,559, an increase of \$5,723,466 in comparison with the prior year. Approximately 65 percent of this total amount (\$11,262,811) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for prepaid items (\$13,933); 2) for long-term advances (\$1,196,751); 3) for non-expendable trusts (\$216,745) or 4) for the revenue sharing reserve (\$4,667,319).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,466,175, while total fund balance was \$5,669,768. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 14.3 percent of total General Fund expenditures and transfers out.

The fund balance of the County's General Fund decreased by \$132,830 during the current fiscal year. This is primarily attributable to a significant reduction of state payments for diverted felons and public safety overtime expenses that exceeded original estimates.

The Health Department Fund had an increase in fund balance for the current year of \$344,308, for an ending total of \$1,070,876. This increase was primarily the result of sound fiscal management in anticipation of future budget constraints.

The Revenue Sharing Reserve Fund had an increase in fund balance of \$4,667,319 in 2004. This fund balance will continue to increase for the next two years as one third of the millage levy will be deposited in this fund each year. After three years, the balance will decrease each year as the county draws out the amount it would have received in state revenue sharing payments which were discontinued on September 30, 2004.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures resulted in an increase of \$2,430,424 in appropriations. The largest increase in the budget during the year was to the public safety function. In the public safety function central dispatch and emergency management were the primary increases. These increases were mainly due to state and federal grants received.

During the year, expenditures were less than the amended budget, resulting in an increase in fund balance that exceeded the amount projected in the final amended budget.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounted to \$36,098,515 (net of related debt). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and vehicles less related debt. The total increase in the County's investment in capital assets for the current fiscal year was 1 percent for the governmental activities and 8 percent for the business-type activities.

There were no major capital asset events that occurred during the current fiscal year with respect to the County's governmental and business-type activities.

Grand Traverse County's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 16,353,090	\$ 1,820,550
Construction in progress	370,583	-
Land improvements	478,368	1,970,570
Infrastructure	370,011	-
Building and improvements	14,764,150	26,655,983
Equipment and furniture	2,475,273	1,076,862
Vehicles	<u>635,141</u>	<u>101,911</u>
Total	<u>\$ 35,446,616</u>	<u>\$ 31,625,876</u>

Additional information on the County's capital assets can be found in note IIIB on pages 41-44 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$32,620,431. Of this amount, \$31,850,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents a loan and compensated absences.

Grand Traverse County's Outstanding Debt General Obligation Bonds

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General obligation bonds	<u>\$ 6,340,000</u>	<u>\$ 25,510,000</u>

The County's total debt decreased by \$1,892,779 (6 percent) during the current fiscal year. This decrease represents principal payments made by the County's building authority, a blended component unit, changes in compensated absences and payments on notes during 2004.

The County's bond rating ranges from A1 to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$332,229,734, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note IIID on pages 46-51 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- It is anticipated that the taxable value for property tax revenues will increase by an estimated 8.2% (2004's increase in taxable value). But, this taxable value increase will be impacted by a millage rate reduction of approximately 1.6%, resulting in only a 6.6% increase in property tax revenues.
- There are several open labor contracts going into 2005 and health and retirement costs have increased requiring most departments to reduce operating budgets by almost 1.3%.
- The overall outlook for Grand Traverse County is good. Moderate growth in both tax base and employment are anticipated, and the approved budgets maintain strong fund balances in the general and delinquent tax revolving funds.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's office, 400 Boardman Avenue, Traverse City, Michigan 49684.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAND TRAVERSE COUNTY

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments - cash equivalents	\$ 14,417,084	\$ 12,512,456	\$ 26,929,540
Receivables, net			
Accounts	1,434,185	1,511,764	2,945,949
Taxes	15,840,482	3,942,672	19,783,154
Lease	-	-	-
Interest	193,722	283,165	476,887
Due from other governments	1,526,157	-	1,526,157
Inventories	-	57,840	57,840
Prepaid items and other assets	181,068	416,457	597,525
Note receivable	-	-	-
Loans receivable	2,441,100	-	2,441,100
Land	16,353,090	1,820,550	18,173,640
Construction in progress	370,583	-	370,583
Capital assets, net	18,722,943	29,805,326	48,528,269
Total assets	71,480,414	50,350,230	121,830,644
Liabilities			
Accounts payable	1,922,638	493,886	2,416,524
Accrued liabilities	801,099	476,441	1,277,540
Accrued interest payable	69,642	301,429	371,071
Due to other governments	628,088	186,224	814,312
Unearned revenue	12,592,572	2,216,719	14,809,291
Advance from State	-	-	-
Long-term liabilities			
Due within one year	375,181	1,304,644	1,679,825
Due in more than one year	7,247,915	23,692,691	30,940,606
Total liabilities	23,637,135	28,672,034	52,309,169
Net assets			
Invested in capital assets, net of related debt	29,096,181	7,002,334	36,098,515
Restricted for nonexpendable trusts	216,745	-	216,745
Restricted for revenue sharing reserve	4,667,319	-	4,667,319
Unrestricted	13,863,034	14,675,862	28,538,896
Total net assets	\$ 47,843,279	\$ 21,678,196	\$ 69,521,475

The accompanying notes are an integral part of these financial statements.

Component Units				
Road Commission	Department of Public Works	Drain Commission	Brownfield Redevelopment Authority	EDC of Grand Traverse County
\$ 521,241	\$ 6,000,343	\$ 131,793	\$ 1,081,755	\$ 16,618
2,007,752	68,326	13,153	17,162	-
-	-	-	196,628	-
-	15,400,000	-	-	-
-	458,889	138	-	-
87,128	369,045	-	-	-
962,194	-	-	-	-
126,286	322,902	-	1,830,644	-
-	400,000	-	-	-
-	-	-	-	-
16,186,151	400,000	-	-	-
4,675,238	52,575,211	-	-	-
26,745,230	-	-	-	-
51,311,220	75,994,716	145,084	3,126,189	16,618
1,504,998	1,005,020	13,153	1,850,750	-
132,178	160,400	-	-	-
45,425	494,934	-	-	-
345,323	102,000	-	259,961	-
163,386	52,497	-	210,558	-
259,757	-	-	-	-
512,555	3,180,000	-	-	-
2,273,575	66,445,534	-	-	-
5,237,197	71,440,385	13,153	2,321,269	-
45,086,519	3,417,218	-	-	-
-	-	-	-	-
-	-	-	-	-
987,504	1,137,113	131,931	804,920	16,618
\$ 46,074,023	\$ 4,554,331	\$ 131,931	\$ 804,920	\$ 16,618

GRAND TRAVERSE COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Indirect (Revenues) Expenses Allocation
Primary government		
Governmental activities		
Legislative	\$ 385,490	\$ (22,876)
Judicial	6,994,719	711,193
General government	8,828,518	(1,179,748)
Public safety	12,735,606	55,659
Health and welfare	8,542,566	280,052
Recreation and cultural	963,074	-
Interest on long-term debt	281,040	-
Total governmental activities	38,731,013	(155,720)
Business-type activities		
Inspections	1,474,291	140,035
Medical care facility	28,068,660	-
Solid waste	633,930	15,685
Delinquent taxes	7,690	-
Total business-type activities	30,184,571	155,720
Total primary government	\$ 68,915,584	\$ -
Component units		
Road commission	\$ 8,941,979	\$ -
Department of public works	6,175,803	-
Drain commission	2,510	-
Brownfied redevelopment authority	229,551	-
EDC of Grand Traverse County	900	-
Total component units	\$ 15,350,743	\$ -

The accompanying notes are an integral part of these financial statements.

Program Revenues			
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
\$ 8,689	\$ 2,600	\$ -	\$ (351,325)
2,807,311	3,553,045	-	(1,345,556)
3,106,510	131,853	-	(4,410,407)
1,407,216	2,737,747	17,021	(8,629,281)
1,746,373	4,098,824	-	(2,977,421)
491,234	3,094	-	(468,746)
-	-	-	(281,040)
9,567,333	10,527,163	17,021	(18,463,776)
1,927,656	-	-	313,330
26,008,498	74,097	-	(1,986,065)
458,826	61,784	-	(129,005)
738,923	-	-	731,233
29,133,903	135,881	-	(1,070,507)
\$ 38,701,236	\$ 10,663,044	\$ 17,021	\$ (19,534,283)
\$ 1,425,049	\$ 7,181,557	\$ 4,039,647	\$ 3,704,274
3,427,610	4,582,383	-	1,834,190
-	-	-	(2,510)
-	-	-	(229,551)
-	-	-	(900)
\$ 4,852,659	\$ 11,763,940	\$ 4,039,647	\$ 5,305,503

Continued...

GRAND TRAVERSE COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (18,463,776)	\$ (1,070,507)	\$ (19,534,283)
General revenues			
Taxes			
Property taxes	22,907,266	2,102,336	25,009,602
Grants and contributions not restricted to specific programs	465,377	-	465,377
Unrestricted investment earnings	656,415	146,136	802,551
Internal transfers	917,803	(917,803)	-
Gain on sale of capital assets	79,035	10,082	89,117
Total general revenues, contributions and transfers	25,025,896	1,340,751	26,366,647
Change in net assets	6,562,120	270,244	6,832,364
Net assets, beginning of year	41,281,159	21,407,952	62,689,111
Net assets, end of year	\$ 47,843,279	\$ 21,678,196	\$ 69,521,475

The accompanying notes are an integral part of these financial statements.

Component Units				
Road Commission	Department of Public Works	Drain Commission	Brownfield Redevelopment Authority	EDC of Grand Traverse County
\$ 3,704,274	\$ 1,834,190	\$ (2,510)	\$ (229,551)	\$ (900)
-	-	-	723,227	-
-	-	-	-	-
9,198	126,939	1,317	13,718	124
-	-	-	-	-
376,851	-	-	-	-
386,049	126,939	1,317	736,945	124
4,090,323	1,961,129	(1,193)	507,394	(776)
41,983,700	2,593,202	133,124	297,526	17,394
\$ 46,074,023	\$ 4,554,331	\$ 131,931	\$ 804,920	\$ 16,618

Concluded

FUND FINANCIAL STATEMENTS

GRAND TRAVERSE COUNTY

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	General	Grand Traverse County Health	Revenue Sharing Reserve	Other Governmental Funds	Total
Assets					
Cash and investments - cash equivalents	\$ 4,995,802	\$ 969,718	\$ 1,010,988	\$ 6,031,068	\$ 13,007,576
Receivables, net					
Accounts	285,307	52,398	-	930,488	1,268,193
Loans	-	-	-	2,441,102	2,441,102
Taxes	11,166,175	-	3,656,331	1,017,976	15,840,482
Interest	193,722	-	-	-	193,722
Due from State	362,608	94,478	-	794,759	1,251,845
Due from other governments	202,266	-	-	72,046	274,312
Due from other funds	291,909	-	-	-	291,909
Prepaid items and other assets	6,842	3,245	-	7,072	17,159
Advance to other funds	1,196,751	-	-	-	1,196,751
Total assets	\$ 18,701,382	\$ 1,119,839	\$ 4,667,319	\$ 11,294,511	\$ 35,783,051
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 1,188,805	\$ 30,080	\$ -	\$ 541,160	\$ 1,760,045
Accrued liabilities	215,981	13,273	-	58,040	287,294
Due to other funds	-	-	-	260,325	260,325
Due to state	-	-	-	175,646	175,646
Due to other governments	-	-	-	452,442	452,442
Advance from other funds	-	-	-	416,066	416,066
Deferred revenue	11,626,828	5,610	-	3,441,236	15,073,674
Total liabilities	13,031,614	48,963	-	5,344,915	18,425,492
Fund balances					
Reserved for					
Advances to other funds	1,196,751	-	-	-	1,196,751
Prepaid items	6,842	3,245	-	3,846	13,933
Nonexpendable trusts	-	216,745	-	-	216,745
Revenue sharing reserve	-	-	4,667,319	-	4,667,319
Unreserved					
Designated for subsequent years' expenditures					
General fund	831,478	-	-	-	831,478
Special revenue funds	-	242,249	-	744,565	986,814
Designated for marriage counseling program					
Special revenue funds	-	-	-	105,547	105,547
Undesignated	3,634,697	608,637	-	-	4,243,334
Undesignated, reported in nonmajor					
Special revenue funds	-	-	-	2,010,849	2,010,849
Debt service funds	-	-	-	64	64
Capital projects funds	-	-	-	3,084,725	3,084,725
Total fund balances	5,669,768	1,070,876	4,667,319	5,949,596	17,357,559
Total liabilities and fund balances	\$ 18,701,382	\$ 1,119,839	\$ 4,667,319	\$ 11,294,511	\$ 35,783,051

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2004

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balances - total governmental funds	\$	17,357,559
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	47,267,565
Subtract: accumulated depreciation	(12,818,947)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Some of these assets (such as loan and lease receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenue on loan receivables	2,481,100
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	1,159,763
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Add: bond issuance costs	39,508
Subtract: accumulated amortization of bond issuance costs	(2,634)
Subtract: bonds payable	(6,340,000)
Subtract: compensated absences and other long-term liabilities	(1,230,993)
Subtract: accrued interest on long-term liabilities	(69,642)

Net assets of governmental activities

\$	47,843,279
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Concluded

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Grand Traverse County Health	Revenue Sharing Reserve	Other Governmental Funds	Total
Revenues					
Taxes	\$ 16,520,994	\$ -	\$ 5,550,000	\$ 836,272	\$ 22,907,266
Licenses and permits	119,955	455,501	-	-	575,456
Intergovernmental					
Federal sources	601,434	1,035,353	-	1,159,915	2,796,702
State sources	2,318,289	245,222	-	1,919,487	4,482,998
Local sources	1,523,758	313,313	-	1,033,450	2,870,521
Charges for services	5,081,107	852,135	-	987,243	6,920,485
Fines and forfeits	216,243	-	-	-	216,243
Reimbursements	1,759,699	-	-	-	1,759,699
Contributions	35,472	-	-	-	35,472
Rental revenue	516,645	-	-	154,989	671,634
Interest revenue	632,408	-	-	93,515	725,923
Other revenue	149,701	932,550	-	315,953	1,398,204
Total revenues	29,475,705	3,834,074	5,550,000	6,500,824	45,360,603
Expenditures					
Current expenditures					
Legislative	385,803	-	-	-	385,803
Judicial	2,074,401	-	-	5,538,112	7,612,513
General government	7,559,045	-	-	1,600,894	9,159,939
Public safety	12,058,109	-	-	518,826	12,576,935
Health and welfare	250,387	4,572,016	-	3,747,073	8,569,476
Recreation and cultural	-	-	-	750,274	750,274
Debt service					
Principal	-	-	-	570,000	570,000
Interest and fiscal charges	-	-	-	278,693	278,693
Capital outlay	470,202	54,666	-	149,687	674,555
Total expenditures	22,797,947	4,626,682	-	13,153,559	40,578,188
Excess (deficiency) of revenue over expenditures	6,677,758	(792,608)	5,550,000	(6,652,735)	4,782,415
Other financing sources (uses)					
Transfers in	1,600,484	1,129,316	-	7,487,756	10,217,556
Sale of capital assets	-	7,600	-	15,648	23,248
Transfers (out)	(8,411,072)	-	(882,681)	(6,000)	(9,299,753)
Total other financing sources (uses)	(6,810,588)	1,136,916	(882,681)	7,497,404	941,051
Net change in fund balances	(132,830)	344,308	4,667,319	844,669	5,723,466
Fund balance, beginning of year	5,802,598	726,568	-	5,104,927	11,634,093
Fund balance, end of year	\$ 5,669,768	\$ 1,070,876	\$ 4,667,319	\$ 5,949,596	\$ 17,357,559

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances - total governmental funds	\$ 5,723,466
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: capital outlay	1,203,713
Subtract: depreciation expense	(1,082,068)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources.	
Subtract: net book value of capital assets sold	(59,914)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Add: increase in deferred loan receivables	26,452
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Subtract: decrease in interest receivable	(73,516)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Add: decrease in accrued interest payable	3,874
Add: decrease in the accrual of compensated absences	66,002
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Bond discounts, premiums and issue costs are reported as expenditures or other financing sources/uses in the governmental funds, but are reported as asset accounts in the statement of net assets and are amortized.	
Add: current year principal payments	570,000
Subtract: amortization of bond issue costs	(2,634)
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and employee benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	
Add: net income of internal service funds	186,745
Change in net assets of governmental activities	\$ 6,562,120

Concluded

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
Revenues				
Taxes				
Current property taxes	\$ 15,698,500	\$ 15,698,500	\$ 15,654,937	\$ (43,563)
Delinquent property taxes	59,000	59,000	65,531	6,531
Swamp land tax	56,100	56,100	56,048	(52)
Trailer tax	11,000	11,000	11,652	652
Payment in lieu of taxes	125,000	125,000	116,157	(8,843)
Commercial forest reserve tax	3,500	3,500	(2,926)	(6,426)
Industrial and commercial facilities taxes	62,000	62,000	57,557	(4,443)
Interest on taxes	3,500	3,500	3,482	(18)
Liquor tax	520,232	513,897	513,897	-
Cigarette tax	37,460	44,659	44,659	-
Total taxes	16,576,292	16,577,156	16,520,994	(56,162)
Licenses and permits				
Soil erosion	70,000	70,000	88,717	18,717
Pistol permits	5,000	5,000	10,558	5,558
Marriage licenses	4,700	4,700	6,050	1,350
Township liquor licenses	13,400	13,400	13,776	376
Livery licenses	1,000	1,000	854	(146)
Total licenses and permits	94,100	94,100	119,955	25,855
Federal sources				
Byrne	65,500	88,416	95,204	6,788
Cooperative reimbursement - prosecutor	13,000	13,000	61,433	48,433
Anti-drug abuse act	38,500	38,500	39,402	902
Equal start/parents as teachers	191,000	191,000	90,223	(100,777)
Wind energy outreach project	-	15,000	-	(15,000)
Bullet proof vests	-	-	1,748	1,748
Live Scan	-	15,000	15,000	-
Supplemental planning	-	-	3,000	3,000
Regional planning	-	117,037	103,665	(13,372)
Highway safety	-	4,200	3,897	(303)
Emergency management	15,000	809,616	187,862	(621,754)
Total federal sources	323,000	1,291,769	601,434	(690,335)

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
State sources				
Circuit judge standardization	\$ 60,000	\$ 60,000	\$ 60,356	\$ 356
District judge standardization	97,893	97,893	98,215	322
Probate judge standardization	52,500	52,500	52,676	176
Probate judge salary	94,195	94,195	94,195	-
Probate juvenile officer salary	60,000	65,429	84,706	19,277
Cooperative reimbursement - prosecutor	127,995	127,995	34,109	(93,886)
Cooperative reimbursement				
- prosecutor supplemental	6,000	6,000	5,911	(89)
Victim's rights act	49,900	49,900	50,800	900
Remonumentation	-	83,409	52,758	(30,651)
DSS inspections	10,500	10,500	3,059	(7,441)
Cooperative extension	34,500	34,500	27,782	(6,718)
Secondary road patrol	115,928	115,928	115,002	(926)
911 public safety	131,000	834,969	498,485	(336,484)
County patrol	-	-	-	-
Marine safety	54,000	54,000	47,951	(6,049)
Corrections training	185,000	114,639	49,580	(65,059)
State court fund distribution	500,000	600,000	545,818	(54,182)
Caseflow assistance	24,300	24,300	28,352	4,052
State revenue sharing	1,300,000	1,300,000	465,377	(834,623)
Emergency management	1,000	1,000	3,157	2,157
Total state sources	2,904,711	3,727,157	2,318,289	(1,408,868)
Local sources	1,527,523	1,561,196	1,523,758	(37,438)

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
Charges for services				
Circuit court costs and services	\$ 135,275	\$ 135,275	\$ 179,781	\$ 44,506
District court costs and services	1,469,997	1,519,997	1,624,725	104,728
Probate court services	307,300	357,263	373,307	16,044
Accounting services	2,000	2,000	-	(2,000)
Clerk services	182,150	182,150	190,742	8,592
Equalization	3,000	3,000	3,541	541
Prosecuting attorney	15,200	15,189	18,038	2,849
Register of deeds services	1,000,000	1,020,000	833,549	(186,451)
Register of deeds land transfer	500,000	500,000	643,529	143,529
Treasurer services	15,050	15,050	8,521	(6,529)
Cooperative extension	83,260	83,260	102,096	18,836
Building and grounds	82,000	82,000	70,170	(11,830)
Sheriff services	64,400	64,400	64,692	292
Central dispatch	495,400	495,400	487,176	(8,224)
Sheriff - corrections	367,800	467,800	433,784	(34,016)
Planning department	3,000	3,000	3,037	37
GIS	7,450	11,660	13,233	1,573
Brownfield administration	-	13,000	11,989	(1,011)
Other services	6,900	6,900	7,197	297
Food service	10,000	10,000	12,000	2,000
Total charges for services	4,750,182	4,987,344	5,081,107	93,763
Fines and forfeitures				
Forfeitures	40,000	40,000	33,211	(6,789)
Ordinance fines	132,500	150,637	183,032	32,395
Total fines and forfeitures	172,500	190,637	216,243	25,606
Reimbursements				
Indirect cost recovery	1,436,788	1,477,565	1,402,641	(74,924)
Other reimbursements and refunds	39,960	53,500	114,773	61,273
Attorney fee reimbursement	249,000	249,304	242,285	(7,019)
Total reimbursements	1,725,748	1,780,369	1,759,699	(20,670)
Contributions	9,000	38,055	35,472	(2,583)

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
Interest and rents				
Interest income	\$ 500,000	\$ 500,000	\$ 632,408	\$ 132,408
Rental revenue	517,367	517,367	516,645	(722)
Total interest and rents	1,017,367	1,017,367	1,149,053	131,686
Other revenues				
Salvage sales	2,000	2,000	725	(1,275)
Collection fees	43,000	43,000	34,892	(8,108)
Sale of capital assets	5,000	110,697	114,084	3,387
Total other revenues	50,000	155,697	149,701	(5,996)
Total revenues	29,150,423	31,420,847	29,475,705	(1,945,142)
Expenditures				
Legislative				
Board of Commissioners	370,766	396,319	385,803	10,516
Judicial				
Circuit court	21,500	25,500	25,025	475
Jury commission	45,071	45,071	41,695	3,376
Probate court	589,068	574,682	557,920	16,762
Probate court - juvenile	1,244,562	1,170,815	1,185,500	(14,685)
Probate court - volunteers	268,347	275,027	264,261	10,766
Total judicial	2,168,548	2,091,095	2,074,401	16,694
General government				
County administrator	303,657	307,340	287,989	19,351
Brownfield administration	-	17,044	15,853	1,191
Elections	70,215	75,215	51,338	23,877
Accounting	387,620	387,620	366,234	21,386
County clerk	660,629	660,629	656,358	4,271
Equalization	408,343	413,328	403,843	9,485
Human resources	397,151	398,551	361,899	36,652

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
General government				
Training	\$ 7,850	\$ 7,850	\$ 5,696	\$ 2,154
Prosecuting attorney	1,233,100	1,252,518	1,246,079	6,439
Register of deeds	282,482	302,482	277,642	24,840
County surveyor	-	50,658	50,658	-
County treasurer	344,471	344,471	326,417	18,054
Cooperative extension	639,366	663,208	567,340	95,868
Facilities management	1,289,366	1,244,926	1,168,778	76,148
Drain commission	259,998	260,554	239,447	21,107
Soil conservation	41,000	41,000	41,000	-
Contingencies	198,537	61,745	(18)	61,763
Remonumentation	-	32,751	2,100	30,651
Special appropriations	874,378	874,378	874,370	8
Insurance and bonds	475,000	635,000	616,022	18,978
Total general government	7,873,163	8,031,268	7,559,045	472,223
Public safety				
Secondary road patrol	163,018	165,518	151,782	13,736
Central records	853,586	814,503	800,025	14,478
Grand traverse central dispatch	1,188,097	1,186,047	1,224,441	(38,394)
Special investigation	134,611	141,111	151,042	(9,931)
County investigation	1,054,550	978,379	973,295	5,084
County patrol	3,584,599	3,675,772	3,650,493	25,279
D.A.R.E. program	7,000	7,000	2,867	4,133
Sheriff administration	463,224	475,105	411,985	63,120
Marine law enforcement	149,706	173,693	123,192	50,501
Township fire	47,978	47,978	47,172	806
Corrections	3,244,584	3,285,596	3,287,580	(1,984)
Corrections - interim service	100,000	311,000	209,879	101,121
Planning	103,346	224,583	198,375	26,208
G.I.S. assessment project	203,747	248,932	256,596	(7,664)
Emergency management	104,577	901,443	282,743	618,700
Department of public works	3,956	3,956	4,693	(737)
Substance abuse	260,116	256,949	256,949	-
Ambulance	25,000	25,000	25,000	-
Total public safety	11,691,695	12,922,565	12,058,109	864,456

Continued...

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Amended Budget to Actual Change to Over (Under)
Health and welfare				
Veterans counselor	\$ 248,157	\$ 244,451	\$ 250,387	\$ (5,936)
Capital outlay	11,800	860,588	470,202	390,386
Total expenditures	22,364,129	24,546,286	22,797,947	1,748,339
Revenues over (under) expenditures	6,786,294	6,874,561	6,677,758	(196,803)
Other financing sources (uses)				
Transfers in	717,803	717,803	1,600,484	882,681
Transfers out				
Probate court juvenile	(5,000)	(4,000)	-	4,000
Building authority debt	(850,205)	(850,105)	(848,693)	1,412
Local law enforcement block grant	(1,608)	(1,608)	(1,608)	-
Veteran's trust	-	-	(549)	(549)
Maple Bay development	-	(17,610)	(5,390)	12,220
Economic stabilization	(2,418,135)	(2,418,135)	-	2,418,135
County law library	(60,150)	(60,150)	(60,150)	-
Health department	(1,118,845)	(1,123,926)	(1,123,926)	-
Child care	(900,000)	(1,050,000)	(1,050,000)	-
Family independence agency	(55,058)	(55,058)	(55,058)	-
Commission on aging	(2,500)	(2,500)	(2,500)	-
Parks and recreation	(363,297)	(235,297)	(235,297)	-
Friend of the court	(258,589)	(283,713)	(283,713)	-
County facilities	(1,101,120)	(1,101,120)	(1,101,120)	-
Gypsy moth control	(12,315)	(12,315)	(12,315)	-
District court building fund	(500,000)	(600,000)	(553,194)	46,806
Circuit court	(1,067,155)	(1,074,994)	(1,019,718)	55,276
86th District court	(1,885,120)	(1,955,474)	(1,862,718)	92,756
Debt service	(228,000)	(229,403)	(165,123)	64,280
Community corrections	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	(10,139,294)	(10,387,605)	(6,810,588)	3,577,017
Net change in fund balance	(3,353,000)	(3,513,044)	(132,830)	3,380,214
Fund balance, beginning of year	5,802,598	5,802,598	5,802,598	-
Fund balance, end of year	\$ 2,449,598	\$ 2,289,554	\$ 5,669,768	\$ 3,380,214

Concluded

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL HEALTH SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Licenses and permits	\$ 435,185	\$ 438,685	\$ 455,501	\$ 16,816
Federal sources	985,944	1,049,164	1,035,353	(13,811)
State sources	232,668	248,473	245,222	(3,251)
Local sources	71,020	115,570	313,313	197,743
Charges for services	723,607	737,607	852,135	114,528
Other revenue	1,082,387	1,082,387	932,550	(149,837)
Total revenues	3,530,811	3,671,886	3,834,074	162,188
Expenditures				
Health and welfare	4,781,963	4,953,995	4,572,016	381,979
Capital outlay	40,451	66,951	54,666	12,285
Total expenditures	4,822,414	5,020,946	4,626,682	394,264
Revenues over (under) expenditures	(1,291,603)	(1,349,060)	(792,608)	556,452
Other financing sources				
Transfer in	1,118,845	1,118,845	1,129,316	10,471
Sale of capital assets	-	-	7,600	7,600
Total other financing sources	1,118,845	1,118,845	1,136,916	18,071
Net change in fund balance	(172,758)	(230,215)	344,308	574,523
Fund balance, beginning of year	726,568	726,568	726,568	-
Fund balance, end of year	\$ 553,810	\$ 496,353	\$ 1,070,876	\$ 574,523

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2004

	Grand Traverse Pavilions	2003 Tax Levy	Other Enterprise Funds
Assets			
Current assets			
Cash and investments - cash equivalents	\$ 3,087,971	\$ 4,393,106	\$ 5,031,379
Receivables, net			
Accounts	1,457,667	-	54,097
Taxes	2,216,719	1,434,898	291,055
Interest	-	178,643	104,522
Prepaid items and other assets	71,348	-	150
Inventories	57,840	-	-
Total current assets	6,891,545	6,006,647	5,481,203
Capital assets			
Land	1,820,550	-	-
Other capital assets, net of depreciation	29,696,342	-	108,984
Total capital assets	31,516,892	-	108,984
Other assets			
Unamortized bond issuance costs	344,959	-	-
Total assets	38,753,396	6,006,647	5,590,187
Liabilities			
Current liabilities			
Accounts payable	277,103	-	216,783
Accrued liabilities	454,461	-	21,980
Accrued interest payable	301,429	-	-
Due to other funds	-	-	-
Due to other governments	186,224	-	-
Current portion of long-term liabilities	1,303,477	-	-
Deferred revenue	2,216,719	-	-
Total current liabilities	4,739,413	-	238,763
Long-term liabilities			
Advance from other funds	-	-	-
Notes payable	1,167	-	-
Bonds payable	23,322,375	-	-
Compensated absences	323,544	-	46,772
Total long-term liabilities	23,647,086	-	46,772
Total liabilities	28,386,499	-	285,535
Net assets			
Investment in capital assets, net of related debt	6,893,350	-	108,984
Unrestricted	3,473,547	6,006,647	5,195,668
Total net assets	\$ 10,366,897	\$ 6,006,647	\$ 5,304,652

The accompanying notes are an integral part of these financial statements.

<u>Total</u>	<u>Internal Service Funds</u>
\$ 12,512,456	\$ 1,309,508
1,511,764	165,992
3,942,672	-
283,165	-
71,498	127,035
57,840	-
18,379,395	1,602,535
1,820,550	-
29,805,326	997,998
31,625,876	997,998
344,959	-
50,350,230	2,600,533
493,886	62,593
476,441	513,805
301,429	-
-	31,584
186,224	-
1,303,477	10,435
2,216,719	-
4,978,176	618,417
-	780,685
1,167	-
23,322,375	-
370,316	41,668
23,693,858	822,353
28,672,034	1,440,770
7,002,334	280,643
14,675,862	879,120
\$ 21,678,196	\$ 1,159,763

GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Grand Traverse Pavilions	2003 Tax Levy	Other Enterprise Funds
Operating revenues			
Charges for services	\$ 17,236,731	\$ 159,377	\$ 532,148
Licenses and permits	-	-	1,907,658
State sources	-	-	6,207
Rental revenue	-	-	-
Interest revenue	-	320,731	169,208
Other	8,775,748	5,790	86,070
Total operating revenues	26,012,479	485,898	2,701,291
Operating expenses			
Personnel services	13,609,173	-	1,364,931
Supplies	1,951,598	-	59,577
Contractual services	1,629,985	-	542,079
Other	8,532,036	-	255,008
Depreciation and amortization	1,233,123	-	50,036
Total operating expenses	26,955,915	-	2,271,631
Operating income (loss)	(943,436)	485,898	429,660
Nonoperating revenue (expense)			
Property taxes	2,102,336	-	-
Local sources	74,097	-	-
Sale of capital assets	-	-	6,101
Interest revenue	8,399	44,822	92,915
Interest and fiscal charges	(1,112,745)	-	-
Total nonoperating revenue	1,072,087	44,822	99,016
Income before transfers	128,651	530,720	528,676
Transfers			
Transfers in	-	5,478,927	140,673
Transfers out	-	(33,962)	(6,503,441)
Total transfers	-	5,444,965	(6,362,768)
Change in net assets	128,651	5,975,685	(5,834,092)
Net assets, beginning of year	10,238,246	30,962	11,138,744
Net assets, end of year	\$ 10,366,897	\$ 6,006,647	\$ 5,304,652

The accompanying notes are an integral part of these financial statements.

Total	Internal Service Funds
\$ 17,928,256	\$ 10,217,262
1,907,658	-
6,207	-
-	307,587
489,939	-
8,867,608	98,824
29,199,668	10,623,673
14,974,104	655,661
2,011,175	326,570
2,172,064	8,038,279
8,787,044	918,267
1,283,159	500,189
29,227,546	10,438,966
(27,878)	184,707
2,102,336	-
74,097	-
6,101	1,617
146,136	4,008
(1,112,745)	(3,587)
1,215,925	2,038
1,188,047	186,745
5,619,600	-
(6,537,403)	-
(917,803)	-
270,244	186,745
21,407,952	973,018
\$ 21,678,196	\$ 1,159,763

GRAND TRAVERSE COUNTY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Grand Traverse Pavilions	2003 Tax Levy	Other Enterprise Funds
Cash flows from operating activities			
Cash receipts from services	\$ 26,039,336	\$ -	\$ 2,507,163
Cash receipts from payment of delinquent taxes	-	4,369,216	1,870,485
Cash receipts from interfund services	-	-	-
Cash payments to suppliers for goods and services	(12,136,981)	(608)	(769,705)
Cash payments to employees for services	(13,876,460)	-	(1,385,453)
Cash payments for delinquent taxes	-	(5,439,018)	-
Cash payments to other governmental agencies	-	-	(7,690)
Net cash provided by (used in) operating activities	25,895	(1,070,410)	2,214,800
Cash flows from non-capital financing activities			
Advance to other funds	-	-	-
Due to other funds	-	-	-
Transfer from other funds	-	5,478,927	140,673
Transfer to other funds	-	(33,962)	(6,503,441)
Cash received from property taxes	2,102,336	-	-
Cash received from local grants	74,097	-	-
Net cash provided by (used in) non-capital financing activities	2,176,433	5,444,965	(6,362,768)
Cash flows from capital and related financing activities			
Principal payments	(1,218,550)	-	-
Interest payments	(1,149,051)	-	-
Proceeds from sale of capital assets	-	-	6,101
Purchases of capital assets	(491,320)	-	(65,600)
Net cash used in capital and related financing activities	(2,858,921)	-	(59,499)
Cash flows from investing activities			
Interest received	8,399	9,681	93,925
Net (decrease) increase in cash and cash equivalents	(648,194)	4,384,236	(4,113,542)
Cash and investments - cash equivalents, beginning of year	3,736,165	8,870	9,144,921
Cash and investments - cash equivalents, end of year	\$ 3,087,971	\$ 4,393,106	\$ 5,031,379

The accompanying notes are an integral part of these financial statements.

Total	Internal Service Funds
\$ 28,546,499	\$ -
6,239,701	-
-	10,731,376
(12,907,294)	(9,403,968)
(15,261,913)	(291,832)
(5,439,018)	-
(7,690)	-
1,170,285	1,035,576
-	(285,142)
-	(246,502)
5,619,600	-
(6,537,403)	-
2,102,336	-
74,097	-
1,258,630	(531,644)
(1,218,550)	(38,937)
(1,149,051)	(3,587)
6,101	3,273
(556,920)	(117,720)
(2,918,420)	(156,971)
112,005	4,008
(377,500)	350,969
12,889,956	958,539
\$ 12,512,456	\$ 1,309,508

Continued...

GRAND TRAVERSE COUNTY

Statement of Cash Flows Proprietary Funds

FOR THE YEAR ENDED DECEMBER 31, 2004

	Grand Traverse Pavilions	2003 Tax Levy	Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (943,436)	\$ 485,898	\$ 429,660
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	1,233,123	-	50,036
Changes in assets and liabilities			
Accounts receivables	26,857	-	58,898
Taxes receivables	-	(1,413,083)	1,488,787
Interest receivables	-	(142,617)	116,487
Due from other governments	-	-	12,186
Prepaid items and other assets	(27,952)	-	1,905
Inventories	(226)	-	-
Accounts payable	4,813	-	77,363
Accrued and other liabilities	(267,287)	(608)	(20,522)
Due to other governments	3	-	-
Net cash provided by (used in) operating activities	\$ 25,895	\$ (1,070,410)	\$ 2,214,800

The accompanying notes are an integral part of these financial statements.

<hr/>	
<u>Total</u>	<u>Internal Service Funds</u>
\$ (27,878)	\$ 184,707
1,283,159	500,189
85,755	107,703
75,704	-
(26,130)	-
12,186	-
(26,047)	17,078
(226)	1,660
82,176	(199,141)
(288,417)	423,380
3	-
<u>\$ 1,170,285</u>	<u>\$ 1,035,576</u>

Concluded

GRAND TRAVERSE COUNTY

STATEMENT OF NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2004

	<u>Agency Funds</u>
Assets	
Cash and investments - cash equivalents	\$ 2,941,984
Accounts receivable	<u>734,081</u>
Total assets	<u>\$ 3,676,065</u>
Liabilities	
Due to other governments	\$ 1,631,257
Accounts payable	864,856
Court items payable	352,829
Undistributed receipts	777,109
Other liabilities	<u>50,014</u>
Total liabilities	<u>\$ 3,676,065</u>

The accompanying notes are an integral part of these financial statements.

GRAND TRAVERSE COUNTY

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

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GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Grand Traverse County, (the “County”) was organized in 1851 and covers an area of approximately 464 square miles with the County seat located in Traverse City, Michigan. The County operates under an elected Board of Commissioners of nine (9) members and provides services, assistance and care to its more than 77,523 residents, primarily from the operations of its General Fund and special revenue funds. The County's services, assistance and care includes the (1) general County departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children and public and mental health recipients and (5) recreation and cultural.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in Grand Traverse County's reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Unit. The Grand Traverse County Building Authority is governed by a three member board appointed by the County Board of Commissioners. Although it is legally separate from Grand Traverse County, the Grand Traverse County Building Authority is reported as if it were part of the primary government because its sole purpose is to obtain financing and pay for construction and capital improvements of County facilities.

Discretely-Presented Component Units. The component unit columns in the combined financial statements include the financial data of the County's five discrete component units. These component units are presented in separate columns to emphasize that they are legally separate from Grand Traverse County.

Grand Traverse County Road Commission - Members of the governing body of the Road Commission are appointed by the County Board of Commissioners. The County also has the ability to influence the operations of the Road Commission and has accountability for fiscal matters.

Separate financial statements for the Road Commission are available from the Grand Traverse County Road Commission, 3949 Silver Lake Road, Traverse City, MI 49684.

Department of Public Works – Members of the governing body of the Department of Public Works are appointed by the County Board of Commissioners. The County also has the ability to influence operations of the Department of Public Works and has accountability for fiscal matters.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage board of Chapter 21 drainage districts consists of the State Director of Agriculture and the Drain Commissioner of each county involved in the project. The County Drain Commissioner has sole responsibility to administer the drainage districts established pursuant to Chapters 3, 4 and 8 of the Drain Code. The Drainage Board or Drain Commissioner, on behalf of the drainage districts, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Brownfield Redevelopment Authority – The Members of the governing board of the Brownfield Redevelopment Authority are appointed by the County Commission. They review and approve plans for business development within designated areas of the County where property was once contaminated. Property tax revenues from the “captured” portion of these properties are restricted to pay for site clean-up expenditures and future development depending on the development plan adopted for each project. The County has the ability to significantly influence the operations of the Brownfield Redevelopment Authority.

Economic Development Corporation - Members of the governing body of the Economic Development Corporation are appointed by the County Board of Commissioners. The County also has the ability to influence the operations of the Economic Development Corporation and has accountability for fiscal matters.

Regional Joint Operation

Grand Traverse County participates in the operation of the Northwest Michigan Regional Airport Commission with Leelanau County. The Airport Commission operates with a separate treasurer.

Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

The County also participates jointly in the operation of the North Central Community Mental Health Authority with Missaukee, Leelanau, Crawford, Roscommon and Wexford Counties. All financial operations of the Authority are recorded in Wexford County. The funding formula requires the County to provide approximately 66% of the local unit budget appropriation requirement, which amounted to \$682,200 for the year ended December 31, 2004.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Property taxes, state-shared revenue, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Grand Traverse County Health Fund* accounts for the federal and state grants, local service fees, and General Fund appropriations, which are used to provide health services to citizens of the County.

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism to serve as a substitute to County revenue sharing payments, which is the gradual shift of the County property tax levy.

The government reports the following major proprietary funds:

The *Grand Traverse Pavilions Fund* accounts for the activities of the government's medical care facility.

The *2003 Tax Levy Enterprise Fund* accounts for the funds paid to each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1st from the 2003 tax levy. Financing for these purchases was provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the government reports the following fund types:

The *internal service funds* account for benefits provided to other departments or agencies of the government, on a cost reimbursement basis, largely for equipment usage and insurance charges including fringe benefits.

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Grand Traverse Pavilions, delinquent tax revolving, inspections and solid waste enterprise funds and the discretely presented component unit department of public works enterprise funds and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The government's cash and investments—cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprised of the above authorized investments.

The County's deposits and investment policy are in accordance with statutory authority.

Investments are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All Grand Traverse Pavilions’ accounts and EDC loan receivables, are shown net of an allowance for uncollectible accounts. Grand Traverse Pavilions’ accounts receivable in excess of 120 days comprise the allowance for uncollectible accounts. The EDC loan receivable is equal to known uncollectible accounts in the amount of \$40,000 as of December 31, 2004.

3. *Lease receivable*

The Department of Public Works has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the leases are classified as sales leases. As a result, lease receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreement.

4. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was capitalized during the current year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Land improvements	10-20
Public domain infrastructure	10-20
Vehicles	5
Equipment	5-25
Infrastructure	5-50

6. *Deferred / Unearned revenue*

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported in the County financial statements consist of unearned property taxes receivable in the General Fund, Grand Traverse County Commission on Aging special revenue fund, and the Grand Traverse Pavilions enterprise fund in the amounts of \$11,166,175, \$890,134 and \$2,216,719, respectively, grant drawdowns prior to meeting all eligibility requirements in the General Fund, Health Fund and special revenue funds in the amounts of \$460,653, \$5,610 and \$70,000, respectively, and loan receivables in special revenue funds in the amount of \$2,481,100.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

7. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation, sick and personal pay benefits depending on the date of hire. All accrued vacation, sick and personal pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and special revenue funds except for the Revenue Sharing Reserve Fund. All annual appropriations lapse at year-end.

No later than December 31 of the preceding fiscal year the County Commission shall, by resolution, adopt the budget for the next year.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the function level, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however any supplemental appropriations that amend the total expenditures of any fund require County Commission resolution.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The County did not budget for the Revenue Sharing Reserve Fund. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the functional basis. The approved budgets of the County for the budgetary funds were adopted at the functional level. The following funds had excess expenditures over appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Health and welfare	\$ 244,451	\$ 250,381	\$ 5,936
Special Revenue Fund			
Child Care Fund			
Health and welfare	\$ 1,767,577	\$ 1,791,842	\$ 24,265

C. Deficit fund equity

At December 31, 2004, the Child Care Special Revenue Fund has a deficit unreserved fund balance of \$57,794. This deficit fund balance will be eliminated by future transfers from other funds.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments - cash equivalents are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and investments - cash equivalents	<u>\$ 14,417,084</u>	<u>\$12,512,456</u>	<u>\$ 2,941,984</u>	<u>\$29,871,524</u>	<u>\$ 7,751,750</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking, savings accounts and certificates of deposit)	\$ 22,109,904
Investments	<u>15,513,370</u>
Total	<u>\$ 37,623,274</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

The bank balance of the government's deposits including the component units is \$24,142,759. Of the bank balance, \$948,537 was covered by federal depository insurance. The remaining balance of \$23,194,222 was uninsured and uncollateralized.

Investments

The County's unrestricted and restricted investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the County's name.

	Fair Value/ Category			Carrying Amount
	1	2	3	
U.S. Government Securities	<u>\$ 15,445,000</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 15,445,000
Unclassified as to risk Investment pools				<u>68,370</u>
Total				<u>\$ 15,513,370</u>

B. Capital assets

Capital assets activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Primary Government</u>				
Governmental activities				
Capital assets not being depreciated -				
Land	\$ 16,353,090	\$ -	\$ -	\$ 16,353,090
Construction in progress	<u>-</u>	<u>370,583</u>	<u>-</u>	<u>370,583</u>
Total capital assets not being depreciated	<u>16,353,090</u>	<u>370,583</u>	<u>-</u>	<u>16,723,673</u>
Capital assets being depreciated -				
Land improvements	774,458	29,750	-	804,208
Infrastructure	586,725	-	-	586,725
Buildings and improvements	23,436,530	28,521	100,378	23,364,673
Equipment and furniture	7,855,079	752,006	390,310	8,216,775
Vehicles	<u>2,266,076</u>	<u>140,574</u>	<u>55,779</u>	<u>2,350,871</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Total capital assets being depreciated	<u>34,918,868</u>	<u>950,851</u>	<u>546,467</u>	<u>35,323,252</u>
Less accumulated depreciation for				
Land improvements	\$ 284,186	\$ 41,654	\$ -	\$ 325,840
Infrastructure	181,835	34,879	-	216,714
Buildings and improvements	8,026,228	623,481	49,186	8,600,523
Equipment and furniture	5,441,872	679,562	379,932	5,741,502
Vehicles	<u>1,568,828</u>	<u>202,681</u>	<u>55,779</u>	<u>1,715,730</u>
Total accumulated depreciation	<u>15,502,949</u>	<u>1,582,257</u>	<u>484,897</u>	<u>16,600,309</u>
Total capital assets being depreciated, net	<u>19,415,919</u>	<u>(631,406)</u>	<u>61,570</u>	<u>18,722,943</u>
Governmental activities capital assets, net	<u>\$ 35,769,009</u>	<u>\$ (260,823)</u>	<u>\$ 61,570</u>	<u>\$ 35,446,616</u>
Business-type activities				
Capital assets not being depreciated				
Land	<u>\$ 1,820,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,820,550</u>
Capital assets being depreciated				
Land improvements	2,681,489	20,271	-	2,701,760
Buildings and improvements	31,387,728	404,009	-	31,791,737
Equipment and furniture	2,393,782	67,041	-	2,460,823
Vehicles	<u>270,183</u>	<u>65,600</u>	<u>43,519</u>	<u>292,264</u>
Total capital assets being depreciated	<u>36,733,182</u>	<u>556,921</u>	<u>43,519</u>	<u>37,246,584</u>
Less accumulated depreciation for				
Land improvements	602,097	129,093	-	731,190
Buildings and improvements	4,212,428	923,326	-	5,135,754
Equipment and furniture	1,211,903	172,058	-	1,383,961
Vehicles	<u>195,559</u>	<u>36,294</u>	<u>41,500</u>	<u>190,353</u>
Total accumulated depreciation	<u>6,221,987</u>	<u>1,260,771</u>	<u>41,500</u>	<u>7,441,258</u>
Total capital assets being depreciated, net	<u>30,511,195</u>	<u>(703,850)</u>	<u>2,019</u>	<u>29,805,326</u>
Business-type activities capital assets, net	<u>\$ 32,331,745</u>	<u>\$ (703,850)</u>	<u>\$ 2,019</u>	<u>\$ 31,625,876</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Grand Traverse County Road Commission Component unit –				
Capital assets not being depreciated				
Land and improvements	\$1,077,973	\$ 20,000	\$ (24,626)	\$ 1,073,347
Land / right-of-way	13,587,368	1,575,436	-	15,112,804
Construction in progress	<u>3,339,088</u>	<u>1,395,698</u>	<u>(59,548)</u>	<u>4,675,238</u>
Total capital assets not being depreciated	<u>17,954,429</u>	<u>2,991,134</u>	<u>(84,174)</u>	<u>20,861,389</u>
Capital assets being depreciated				
Buildings	4,117,491	-	-	4,117,491
Road equipment	7,125,686	587,117	(46,283)	7,666,520
Shop equipment	228,721	996	-	229,717
Office equipment	356,271	4,295	(18,745)	341,821
Engineers equipment	249,572	12,017	-	261,589
Yard and storage	1,688,190	-	-	1,688,190
Infrastructure – bridges	765,296	-	-	765,296
Infrastructure – roads	<u>33,797,964</u>	<u>3,070,400</u>	<u>(514,187)</u>	<u>36,354,177</u>
Total capital assets being depreciated	<u>48,329,191</u>	<u>3,674,825</u>	<u>(579,215)</u>	<u>51,424,801</u>
Less accumulated depreciation				
Buildings	(187,599)	(82,350)	-	(269,949)
Road equipment	(5,823,265)	(610,749)	46,283	(6,387,731)
Shop equipment	(131,916)	(1,766)	-	(133,682)
Office equipment	(250,301)	(19,160)	18,745	(250,716)
Engineers equipment	(209,871)	(5,820)	-	(215,691)
Yard and storage	(352,231)	(81,192)	-	(433,423)
Infrastructure – bridges	(604,366)	(12,463)	-	(616,829)
Infrastructure – roads	<u>(14,863,482)</u>	<u>(2,021,255)</u>	<u>513,187</u>	<u>(16,371,550)</u>
Total accumulated depreciation	<u>(22,423,031)</u>	<u>(2,834,755)</u>	<u>578,215</u>	<u>(24,679,571)</u>
Net capital assets being depreciated	<u>25,906,160</u>	<u>840,070</u>	<u>(1,000)</u>	<u>26,745,230</u>
Grand Traverse County Road Commission Component Unit Capital assets, net				
	<u>\$43,860,589</u>	<u>\$3,831,204</u>	<u>\$ (85,174)</u>	<u>\$ 47,606,619</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Grand Traverse Department of Public Works				
Capital assets not being depreciated				
Land	\$ 490,617	\$ 400,000	\$ (490,617)	\$ 400,000
Construction in progress	<u>39,804,033</u>	<u>12,771,178</u>	<u>-</u>	<u>52,575,211</u>
Total capital assets not being depreciated	<u>\$ 40,294,650</u>	<u>\$13,171,178</u>	<u>\$ (490,617)</u>	<u>\$ 52,975,211</u>

Depreciation expense was charged to functions/programs of the primary government and component unit as follows:

Governmental activities

Judicial	\$ 96,717
General government	277,295
Public safety	369,428
Health and welfare	119,471
Recreation and cultural	219,157
Capital assets held by the government's internal service funds and charged to the various functions based on their usage of the assets	<u>500,189</u>

Total depreciation expense – governmental activities **\$ 1,582,257**

Business-type activities

Medical care facility	\$ 1,210,735
Inspections	40,531
Solid Waste	<u>9,505</u>

Total depreciation expense – business-type activities **\$ 1,260,771**

Grand Traverse County Road Commission Component unit **\$ 2,834,755**

C. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2004 is as follows:

<u>Primary Government</u>	<u>Due From Other Funds</u>
Due To Other Funds	General Fund
Nonmajor Governmental Funds	\$ 260,325
Internal Services Funds	<u>31,584</u>
Total	<u>\$ 291,909</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

<u>Primary Government</u>	<u>Advance To Other Funds</u>
	<u>General Fund</u>
Advance From Other Funds	
Nonmajor Governmental Funds	\$ 416,066
Internal Service Funds	780,685
Total	<u><u>\$ 1,196,751</u></u>

Transfers Out	General Fund	Health Fund	Nonmajor Governmental Funds	2003 Tax Levy Fund	Nonmajor Business Type Funds	Total
General Fund	\$ -	\$ 1,129,316	\$ 7,281,756	\$ -	\$ -	\$ 8,411,072
Revenue Sharing Reserve Fund	882,681	-	-	-	-	882,681
Nonmajor Governmental Funds	-	-	6,000	-	-	6,000
2003 Tax Levy Fund	-	-	-	-	33,962	33,962
Nonmajor Business Type Funds	717,803	-	200,000	5,478,927	106,711	6,503,441
	<u>\$ 1,600,484</u>	<u>\$ 1,129,316</u>	<u>\$ 7,487,756</u>	<u>\$ 5,478,927</u>	<u>\$ 140,673</u>	<u>\$ 15,837,156</u>

Interfund receivables and payables are established to: (1) cover cash deficits, (2) cash advances per operating agreements, and (3) to loan funds for operating costs.

Interfund transfers are for: (1) use as unrestricted revenues in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) to close the 2000 delinquent tax fund into the unpledged delinquent tax fund and (3) use amounts from the Revenue Sharing Reserve Fund to cover the elimination of state shared revenue in the General Fund.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

D. Long-term debt

Changes in long-term debt consist of the following:

	Balance 1/1/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Governmental activities					
General obligation debt	\$ 6,910,000	\$ -	\$ 570,000	\$ 6,340,000	\$ 345,000
Central services note payable	49,372	-	38,937	10,435	10,435
Compensated absences	1,336,724	1,581,294	1,645,357	1,272,661	19,746
Total governmental activities	\$ 8,296,096	\$ 1,581,294	\$ 2,254,294	\$ 7,623,096	\$ 375,181
Business-type activities					
Grand Traverse Pavilion bonds	\$ 26,465,000	\$ 325,000	\$ 1,280,000	\$ 25,510,000	\$ 1,300,000
Less - deferred amount on refunding	(628,562)	(319,627)	60,564	(887,625)	-
Grand Traverse lighting loan	5,654	-	4,487	1,167	1,167
Compensated absences	375,022	729,649	730,878	373,793	3,477
Total business-type activities	\$ 26,217,114	\$ 735,022	\$ 2,075,929	\$ 24,997,335	\$ 1,304,644

Compensated absences in governmental activities are generally liquidated by the general fund.

General obligation debt consists of general obligation bonds of the Building Authority. The Building Authority Bonds were issued for construction or purchase of the Public Services Building, LaFranier DPW Building, and Woodmere Public Safety Building. These County buildings are security for these building authority bonds. The Building Authority has also issued the construction bonds for the medical care facility, however, these medical care facility construction bonds are reported in and will be paid from the medical care facility enterprise fund.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Prior Year Advance Refunding/Defeased Debt

During 1999, the County issued general obligation Building Authority, Series 1999 bonds of \$18,035,000 (par value) with an interest rate from 4.00% to 4.50% to advance refund Building Authority, Series 1995 medical care facility construction bonds. The Series 1995 bonds mature in the years 2005 through 2015 in the amount of \$15,400,000 with interest rates of 5.10% to 5.75%.

During 2004, the County issued general obligation Building Authority, Series 2004A bonds of \$2,225,000 (par value) with interest rates ranging from 2.00% to 3.50% to advance refund the Building Authority, Series 1997 medical care facility construction bonds. The Series 1997 bonds mature in the years 2005 through 2015 in the amount of \$2,150,000 with interest rates of 4.150% to 4.875%. Because of this advance refunding, the County reduced its total debt service requirements by \$125,540. This resulted in an economic gain of \$94,300.

Also during 2004, the County issued general obligation Building Authority, Series 2004B bonds of \$3,125,000 (par value) with interest rates ranging from 2.00% to 4.00% to advance refund the Building Authority, Series 1999 medical care facility cottages construction bonds. The Series 1999 bonds mature in the years 2005 through 2019 in the amount of \$2,875,000 with interest rates of 5.25% to 5.65%. Because of this advance refunding, the County reduced its total debt service requirements by \$236,624. This resulted in an economic gain of \$176,182.

<u>Description</u>	<u>Rates</u>	<u>Final Interest Year</u>	<u>Balance Maturing at 12/31/04</u>
Building Authority Bonds			
Public Services Building	4.05-7.00%	2013	\$ 875,000
Lafranier DPW Building	4.75-5.00	2020	2,800,000
Woodmere Public Safety Building	2.00-3.75	2018	2,665,000
Series 2004A Grand Traverse Pavilions	2.00-3.50	2015	2,210,000
Series 2004B Grand Traverse Pavilions Cottages	2.00-4.00	2019	3,050,000
Series 1999 Grand Traverse Pavilions	4.00-4.50	2015	15,915,000
Series 2001 Grand Traverse Pavilions Cottages	4.35-5.30	2031	4,335,000
Grand Traverse Lighting Loan	5.00	2005	1,167
Central Services Note Payable	11.25	2005	<u>10,435</u>
Total Debt			<u>\$ 31,861,602</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Discretely Presented Component Units

A summary of the outstanding debt of the component units is as follows:

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Loan payable - Brownfield Redevelopment Authority	\$ 24,579	\$ -	\$ 24,579	\$ -	\$ -
Bonds payable - Department of Public Works (DPW)	63,075,000	9,350,000	2,745,000	69,680,000	3,180,000
Less - deferred amount on refunding	(104,433)	-	4,351	(100,082)	-
Compensated absences - DPW	45,352	264	-	45,616	-
Notes payable - Road Commission	95,100	-	25,000	70,100	70,100
Loans payable - Road Commission	2,870,000	-	420,000	2,450,000	425,000
Compensated absences - Road Commission	248,523	191,092	173,585	266,030	17,455
Total	\$ 66,254,121	\$ 9,541,356	\$ 3,392,515	\$ 72,411,664	\$ 3,692,555

Changes in long-term debt

The Brownfield Redevelopment Authority entered into a loan payable agreement with the Michigan Department of Environmental Quality during 1999. The proceeds were used to finance the clean up of the Harbor View Center Project. The loan was repaid in full during 2004.

The Department of Public Works has entered into various bond agreements. The proceeds were used to finance water, sewer, wastewater treatment plant and septage treatment facility projects, throughout the County. The water and sewer project bonds are direct obligations of various townships. The wastewater treatment plant bonds are a direct obligation of the City of Traverse City and an indirect obligation of the County and the septage treatment facility bonds are a direct obligation of the County. The bonds payable will mature from 2005 through 2024.

The Board of County Road Commissioners entered into an installment note payable for various land contracts, payable through Grand Traverse County that has a balance of \$70,100. The installment payable has a 5.5% interest rate with the principal maturing in 2005.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

The Board of County Road Commissioners has entered into three special loan agreements with the Michigan Department of Transportation that have balances of \$20,000, \$680,000 and \$1,750,000 at December 31, 2004. The proceeds of each were used to finance the construction of improvements to the County's roadway system. The \$20,000 loan is to be paid over a ten-year period with a sliding scale interest rate based on the total of state highway borrowings, maturing in 2005, the \$680,000 loan is to be paid back over a 15-year period with a sliding scale interest rate, maturing in 2008 and the \$1,750,000 loan is to be paid over a ten-year period with a sliding scale interest rate, maturing in 2011.

GRAND TRAVERSE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

The annual requirements to pay principal and interest on primary government and component unit long-term debt obligations are as follows:

Year	Governmental Activities General Obligation Bonds		Governmental Activities Notes Payable		Business-Type Activities General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 345,000	\$ 258,342	\$ 10,435	\$ 196	\$ 1,300,000	\$ 1,064,714
2006	375,000	246,267	-	-	1,400,000	1,016,186
2007	380,000	232,830	-	-	1,570,000	963,938
2008	410,000	218,467	-	-	1,695,000	905,824
2009	415,000	203,113	-	-	1,815,000	842,450
2010-14	2,180,000	749,314	-	-	10,705,000	3,005,677
2015-19	1,985,000	296,729	-	-	4,025,000	1,118,173
2020-24	250,000	12,500	-	-	1,250,000	624,875
2025-29	-	-	-	-	1,250,000	297,563
2030-31	-	-	-	-	500,000	26,500
Total	\$ 6,340,000	\$ 2,217,562	\$ 10,435	\$ 196	\$ 25,510,000	\$ 9,865,900

Business-Type Activities Note Payable		Component Unit General Obligation Bonds		Component Unit Loans and Notes Payable	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,167	\$ 12	\$ 3,180,000	\$ 2,925,752	\$ 495,100	\$ 109,018
-	-	3,305,000	2,822,065	415,000	87,187
-	-	3,355,000	2,712,180	425,000	69,762
-	-	3,545,000	2,593,647	435,000	51,263
-	-	3,570,000	2,461,181	445,000	38,530
-	-	18,420,000	10,116,664	305,000	26,408
-	-	19,640,000	6,086,032	-	-
-	-	14,665,000	1,411,445	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,167</u>	<u>\$ 12</u>	<u>\$ 69,680,000</u>	<u>\$ 31,128,966</u>	<u>\$ 2,520,100</u>	<u>\$ 382,168</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk management

Grand Traverse County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The County participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$50,000. The limits on auto physical damage are \$10,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2004, the Authority had met the minimum requirements.

Grand Traverse County reports the activity and the County's share of the Reinsurance Fund in an Internal Service Fund.

Risk management self-insurance for workers' compensation

The County has established a self-insurance program for Workers Compensation, which is accounted for in the Fringe Benefits Internal Service Fund. This program is administered by a service agency that provides claims reviews and claims processing. A specific excess workers' compensation reinsurance policy indemnifies the County up to \$3,000,000 for each loss in excess of the first \$350,000. All applicable funds are charged premiums based on payroll.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

There has been no reduction in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The Workers' Compensation claims liability of \$16,234 reported in the Fringe Benefits Fund at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability is reported based on information provided by the administrator of the plan. No annuity contracts have been purchased for claims liability.

The changes in the workers' compensation claims liability are as follows for the years ended December 31:

	<u>2004</u>	<u>2003</u>
Claims liability at beginning of year	\$ 20,467	\$ 22,230
Claims and damages incurred	19,788	46,433
Claims payments	<u>(24,021)</u>	<u>(48,196)</u>
Claims liability at end of year	<u>\$ 16,234</u>	<u>\$ 20,467</u>

Risk management self-insurance for short-term disability

The County has established a self-insurance program for short-term disability, which accounted for in the Fringe Benefits Internal Service Fund. This program is administered by the County. All applicable funds are charged premiums based on payroll.

The short-term claims liability of \$16,950 reported in the Fringe Benefits Internal Service Fund at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims liability is reported based on information from an actuarial valuation. No annuity contracts have been purchased for claims liability.

The changes in the short-term claims liability are as follows for the years ended December 31:

	<u>2004</u>	<u>2003</u>
Claims liability at beginning of year	\$ 12,950	\$ 12,450
Claims and damages incurred	99,185	78,660
Claims payments	<u>(95,185)</u>	<u>(78,160)</u>
Claims liability at end of year	<u>\$ 16,950</u>	<u>\$ 12,950</u>

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

B. Joint agreements

Beginning June 1, 1978, the County entered into an agreement with the City of Traverse City for the joint ownership and operation of the Governmental Center. Under the terms of the agreement, the City owns 26.39% of the property and the County owns the remaining 73.61%. The County's share of the original building cost was approximately \$2,900,000.

Under the terms of a separate agreement, the City reimburses the County of Grand Traverse for their pro rata share of operation and maintenance costs.

C. Property taxes

The County's property taxes are levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31, the lien date. Property taxes are collected by the local government units payable without penalty and interest through February 14 of the succeeding year; as of March 1 the succeeding year, unpaid real property taxes are turned over to Grand Traverse County for collections.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50 percent of current market value. Real and personal property in the County for the 2003 levy were assessed and equalized at \$3,071,914,200, representing 50 percent of estimated current market value. The government's general operating, medical care, and commission on aging tax rates for year 2004 were 5.2112, .6897, and .2763 mills, respectively.

D. Defined benefit pension plans

Pension Plan – Primary Government

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 0% to 96% of annual covered payroll depending on the valuation division. Employees are currently not required to contribute to the Plan. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Annual Pension Cost. For the year ended December 31, 2004, the County's annual pension cost of \$2,473,144 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases on 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$ 1,841,625	100%	\$ -
12/31/03	2,197,582	100%	-
12/31/04	2,473,144	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Payroll Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered ((b-a)/c)</u>
12/31/01	\$ 37,124,063	\$ 63,054,329	\$ 25,930,266	59%	\$ 15,620,642	166%
12/31/02	37,803,420	68,579,572	30,776,152	55%	16,029,246	192%
12/31/03	40,355,536	73,682,260	33,326,724	55%	16,256,939	205%

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Pension Plan – Road Commission Component Unit

Plan Description. The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (888) 478-1919.

Funding Policy. The Commission is required to contribute at an actuarially determined rate. The current rate is 12.89% of annual covered payroll for general employees and 27.68% for administrative employees. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Road Commission.

Annual Pension Cost. For the year ended December 31, 2004, the Road Commission's annual pension cost of \$120,574 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) projected salary increases depending on age and attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$ 80,846	100%	\$ -
12/31/03	65,272	100%	-
12/31/04	120,574	100%	-

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

Schedule of Funding Progress

Actuarial Valuation Payroll Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
12/31/01	\$ 7,888,387	\$ 8,039,796	\$ 151,409	98%	\$ 777,689	19%
12/31/02	7,587,719	8,560,307	972,588	89%	796,093	122%
12/31/03	7,551,409	8,632,887	1,081,478	87%	778,137	139%

E. Defined contribution plan

Primary Government

The County sponsors the "Grand Traverse County Defined Contribution Plan" created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full time employees except for the employees who are members of the Circuit Court Association. Employees who were hired previous to May 1, 2001 were able to chose to either stay within the defined benefit plan or to change to the defined contribution plan once their union contract was settled. Participants vest 0% each year for the first two years of service, and become 25%, 50%, 75% and 100% vested in years three through six, respectively. Participants may contribute 3% of their base pay. The County is required to contribute an amount equal to 6% of the participant's base pay plus match employee contributions up to 3% of the employees' base pay.

The plan is administered by ICMA Retirement Corporation. Plan provisions and contribution requirements were established and can only be amended by authorization of the County Commission. In fiscal year 2004, 282 employees participated and the County contributed \$918,055 and the employees contributed \$303,280.

Discretely-Presented Component Unit

The Grand Traverse County Road Commission provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by agreement, the County Road Commission contributes 12% of administrative and 10% of union personnel gross earnings, respectively. Contributions for each employee (plus interest allocated to the employee's account) are fully vested.

During the fiscal year the Road Commission contributed \$181,264 and employees contributed \$42,020.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

F. Post-employment benefits

Primary Government

The County provides post-retirement health benefits, per the requirements of the County's personnel policy and various union contracts. Upon retirement, the County contributes 50% of the retiree's premium, and at Medicare eligible age, the County will cover the cost of the Medicare supplement for the retiree only. At year end, 70 retirees were receiving post-employment benefits. Payments are made on a pay-as-you-go basis. Payments made for the year ended December 31, 2004 were \$201,242.

Discretely-Presented Component Unit

The County Road Commission provides post-employment health care insurance benefits to all retired employees and/or their spouse. The benefits are provided in accordance with articles of the union agreement, which includes the provision that upon retirement, the Commission contributes the full premium per month for health coverage per retiree. Sixteen early retirees, 16 retirees and 8 surviving spouses are receiving this benefit. Payments are made on a pay-as-you-go basis. Payments made for the year ended December 31, 2004 were \$161,144.

G. Subsequent events

Primary Government

On May 1, 2005, the County issued Building Authority bonds, Series 2005, in the amount of \$8,385,000 to construct a new probate/district court building.

The County has also entered into a construction contract for approximately \$1,950,000 for the purpose of remodeling the County's jail building. No bonds will be issued to perform this remodeling.

H. Contingencies and Commitments

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of Federal and State assisted grant programs, including mainly the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, and Health Department Grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts if any, to be insignificant.

GRAND TRAVERSE COUNTY

NOTES TO FINANCIAL STATEMENTS

As part of an agreement to sell the previously owned medical care facility, the County has agreed to be responsible for contamination cleanup at the site. The County has contracted for site assessments that identified several environmental concerns. The assessments did not include an estimate of the potential liability for these concerns and no such liability has been recognized.

I. Leases

The Road Commission discretely-presented component unit has executed five noncancelable operating leases for construction equipment with Caterpillar Financial Services Corporation, payable in monthly installment amounts. The leases mature in 2008. Future lease commitments are \$76,872 in 2005, \$109,992 in 2006, \$114,526 in 2007 and \$47,237 in 2008.

J. Related-party transactions

In July 1998, the Grand Traverse Pavilions Foundation (the "Foundation") and in 2001, the Grand Traverse Pavilions Endowment were organized for the following purposes:

- A. To accept and administer donations, contributions and gifts for the benefit of the Grand Traverse Pavilions (the "Organization"), a County Enterprise Fund.
- B. To operate for the benefit of and in support of the Organization.
- C. To provide resources for any activities that will provide a direct benefit to, and improve the health and welfare of the participants of the Organization.
- D. To operate solely as a non-profit corporation in such a manner that no part of its net earnings will incur to the benefit of any member, trustee, officer or individual.

The Foundation's Board of Directors is appointed by the Organization's Board of Directors. During 2004, the Organization paid operating expenses on behalf of the Foundation for which the Organization is reimbursed. As of December 31, 2004, the Foundation owed the Organization \$7,085.

Discretely-Presented Component Unit

During 2004, the County Road Commission entered into an agreement with Great Northern Benefits to provide health insurance benefits. A member of the County Board of Road Commissioners is a principal in this company. During the year, total premiums paid to Great Northern Benefits amounted to \$608,432. The Board member has abstained in all votes related to the agreement between the Road Commission and Great Northern Benefits.

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SUPPLEMENTARY INFORMATION

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments - cash equivalents	\$ 2,727,063	\$ 64	\$ 3,303,941	\$ 6,031,068
Receivables, net				
Accounts	889,677	-	40,811	930,488
Loans	2,441,102	-	-	2,441,102
Taxes	1,017,976	-	-	1,017,976
Due from state	794,759	-	-	794,759
Due from other governments	72,046	-	-	72,046
Prepaid items and other assets	4,801	-	2,271	7,072
Total assets	\$ 7,947,424	\$ 64	\$ 3,347,023	\$ 11,294,511
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 281,133	\$ -	\$ 260,027	\$ 541,160
Accrued liabilities	58,040	-	-	58,040
Due to other funds	260,325	-	-	260,325
Due to state	175,646	-	-	175,646
Due to other governments	452,442	-	-	452,442
Advance from other funds	416,066	-	-	416,066
Deferred revenue	3,441,236	-	-	3,441,236
Total liabilities	5,084,888	-	260,027	5,344,915
Fund balances				
Reserved for prepaid items	1,575	-	2,271	3,846
Unreserved				
Designated for subsequent years' expenditures	744,565	-	-	744,565
Designated for marriage counseling program	105,547	-	-	105,547
Undesignated	2,010,849	64	3,084,725	5,095,638
Total fund balances	2,862,536	64	3,086,996	5,949,596
Total liabilities and fund balances	\$ 7,947,424	\$ 64	\$ 3,347,023	\$ 11,294,511

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 836,272	\$ -	\$ -	\$ 836,272
Intergovernmental				
Federal sources	1,159,915	-	-	1,159,915
State sources	1,919,487	-	-	1,919,487
Local sources	997,412	-	36,038	1,033,450
Charges for services	958,609	-	28,634	987,243
Rental revenue	154,989	-	-	154,989
Interest revenue	92,721	2	792	93,515
Other revenue	309,369	-	6,584	315,953
Total revenues	6,428,774	2	72,048	6,500,824
Expenditures				
Current expenditures				
Judicial	5,538,112	-	-	5,538,112
General government	231,325	-	1,369,569	1,600,894
Public safety	518,826	-	-	518,826
Health and welfare	3,747,073	-	-	3,747,073
Recreation and culture	750,274	-	-	750,274
Debt service				
Principal	-	570,000	-	570,000
Interest and fiscal charges	-	278,693	-	278,693
Capital outlay	81,536	-	68,151	149,687
Total expenditures	10,867,146	848,693	1,437,720	13,153,559
Revenues (under) expenditures	(4,438,372)	(848,691)	(1,365,672)	(6,652,735)
Other financing sources (uses)				
Transfers in	4,784,749	848,693	1,854,314	7,487,756
Sale of capital assets	-	-	15,648	15,648
Transfers out	(6,000)	-	-	(6,000)
Total other financing sources	4,778,749	848,693	1,869,962	7,497,404
Net change in fund balances	340,377	2	504,290	844,669
Fund balances, beginning of year	2,522,159	62	2,582,706	5,104,927
Fund balances, end of year	\$ 2,862,536	\$ 64	\$ 3,086,996	\$ 5,949,596

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2004

	13th Circuit Court	Local Crime Victims Rights	86th District Court	County Special Projects
Assets				
Cash and investments - cash equivalents	\$ -	\$ 15,465	\$ -	\$ 143,174
Receivables, net				
Accounts	260,891	-	595,136	-
Loans	-	-	-	-
Taxes	-	-	-	-
Due from state	-	-	67,286	-
Due from other governments	-	-	-	-
Prepaid items and other assets	1,325	-	34	-
Total assets	\$ 262,216	\$ 15,465	\$ 662,456	\$ 143,174
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 34,711	\$ -	\$ 45,289	\$ -
Accrued liabilities	4,829	-	21,331	-
Due to other funds	23,590	-	208,299	-
Due to state	-	-	-	-
Due to other governments	63,707	-	112,983	-
Advances from other funds	135,379	-	260,637	-
Deferred revenue	-	-	-	70,000
Total liabilities	262,216	-	648,539	70,000
Fund balances				
Reserved for prepaid items	-	-	34	-
Unreserved				
Designated for subsequent years' expenditures	-	14,000	-	50,000
Designated for marriage counseling program	-	-	-	-
Undesignated (deficit)	-	1,465	13,883	23,174
Total fund balances	-	15,465	13,917	73,174
Total liabilities and fund balances	\$ 262,216	\$ 15,465	\$ 662,456	\$ 143,174

Parks and Recreation	Maple Bay Development	Friend of the Court	Gypsy Moth Suppression Program	Veteran's Trust
\$ 177,049	\$ -	\$ 333,505	\$ -	\$ 319
27,342	-	140	-	-
-	-	-	-	-
-	-	-	-	-
-	-	469,086	-	1,463
-	43,733	-	-	-
-	-	-	-	2,890
\$ 204,391	\$ 43,733	\$ 802,731	\$ -	\$ 4,672

\$ 5,300	\$ -	\$ 11,975	\$ -	\$ 1,086
6,175	-	15,708	-	-
-	7,681	-	-	2,597
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,475	7,681	27,683	-	3,683
-	-	-	-	989
56,693	36,052	19,000	-	-
-	-	105,547	-	-
136,223	-	650,501	-	-
192,916	36,052	775,048	-	989
\$ 204,391	\$ 43,733	\$ 802,731	\$ -	\$ 4,672

Continued...

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2004

	Register of Deeds Automation	Homestead	Corrections P.A. 511	County Law Library
Assets				
Cash and investments - cash equivalents	\$ 84,567	\$ 174,532	\$ -	\$ 34,549
Receivables, net				
Accounts	-	-	-	-
Loans	-	-	-	-
Taxes	-	129,981	-	-
Due from state	-	-	53,911	-
Due from other governments	-	-	-	-
Prepaid items and other assets	-	-	-	552
Total assets	\$ 84,567	\$ 304,513	\$ 53,911	\$ 35,101
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 623	\$ 53	\$ 17,207	\$ 5,441
Accrued liabilities	-	62	1,281	-
Due to other funds	-	-	712	-
Due to state	-	-	-	-
Due to other governments	-	275,752	-	-
Advances from other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	623	275,867	19,200	5,441
Fund balances				
Reserved for prepaid items	-	-	-	552
Unreserved				
Designated for subsequent years' expenditures	-	-	-	-
Designated for marriage counseling program	-	-	-	-
Undesignated (deficit)	83,944	28,646	34,711	29,108
Total fund balances	83,944	28,646	34,711	29,660
Total liabilities and fund balances	\$ 84,567	\$ 304,513	\$ 53,911	\$ 35,101

Criminal Justice Training Act	Long Lake Township Watershed	Mitchell Creek Watershed	Park Street Redevelopment
\$ 11,436	\$ -	\$ 8,155	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	17,330
-	-	-	-
-	-	-	-
\$ 11,436	\$ -	\$ 8,155	\$ 17,330

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,000	-	8,155	-
-	-	-	-
1,436	-	-	17,330
11,436	-	8,155	17,330
\$ 11,436	\$ -	\$ 8,155	\$ 17,330

Continued...

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2004

	CDBG	EDC	CDBG Link Michigan	Family Independence Agency
Assets				
Cash and investments - cash equivalents	\$ 30,963	\$ 930,899	\$ -	\$ 237,718
Receivables, net				
Accounts	-	-	-	-
Loans	965,863	1,475,239	-	-
Taxes	-	-	-	-
Due from state	-	-	-	25,720
Due from other governments	-	-	-	-
Prepaid items and other assets	-	-	-	-
Total assets	\$ 996,826	\$ 2,406,138	\$ -	\$ 263,438
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 2,874	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to state	-	-	-	68,000
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	20,050
Deferred revenue	965,863	1,515,239	-	-
Total liabilities	965,863	1,518,113	-	88,050
Fund balances				
Reserved for prepaid items	-	-	-	-
Unreserved				
Designated for subsequent years' expenditures	-	400,000	-	-
Designated for marriage counseling program	-	-	-	-
Undesignated (deficit)	30,963	488,025	-	175,388
Total fund balances	30,963	888,025	-	175,388
Total liabilities and fund balances	\$ 996,826	\$ 2,406,138	\$ -	\$ 263,438

Child Care	Juvenile Accountability	Grand Traverse County Commission on Aging	Corrections Officers Training	Local Law Enforcement Block Grant	Total
\$ 25,833	\$ -	\$ 504,810	\$ 14,089	\$ -	\$ 2,727,063
-	-	6,168	-	-	889,677
-	-	-	-	-	2,441,102
-	-	887,995	-	-	1,017,976
156,818	3,145	-	-	-	794,759
-	28,313	-	-	-	72,046
-	-	-	-	-	4,801
\$ 182,651	\$ 31,458	\$ 1,398,973	\$ 14,089	\$ -	\$ 7,947,424

\$ 132,799	\$ 14,012	\$ 6,763	\$ 3,000	\$ -	\$ 281,133
-	-	8,654	-	-	58,040
-	17,446	-	-	-	260,325
107,646	-	-	-	-	175,646
-	-	-	-	-	452,442
-	-	-	-	-	416,066
-	-	890,134	-	-	3,441,236
240,445	31,458	905,551	3,000	-	5,084,888
-	-	-	-	-	1,575
-	-	150,665	-	-	744,565
-	-	-	-	-	105,547
(57,794)	-	342,757	11,089	-	2,010,849
(57,794)	-	493,422	11,089	-	2,862,536
\$ 182,651	\$ 31,458	\$ 1,398,973	\$ 14,089	\$ -	\$ 7,947,424

Concluded

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	13th Circuit Court	Local Crime Victims Rights	86th District Court	County Special Projects
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal sources	-	-	93,845	-
State sources	-	-	58,755	-
Local sources	314,856	8,011	735,965	(273,000)
Charges for services	-	-	5,421	273,000
Rental revenue	-	-	-	-
Interest revenue	-	-	-	-
Other revenue	-	-	510	-
Total revenues	314,856	8,011	894,496	-
Expenditures				
Judicial	1,329,569	9,735	2,742,744	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	59,000
Capital outlay	5,005	-	553	-
Total expenditures	1,334,574	9,735	2,743,297	59,000
Revenues over (under) expenditures	(1,019,718)	(1,724)	(1,848,801)	(59,000)
Other financing sources (uses)				
Transfers in	1,019,718	-	1,862,718	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,019,718	-	1,862,718	-
Net change in fund balances	-	(1,724)	13,917	(59,000)
Fund balances, beginning of year	-	17,189	-	132,174
Fund balances (deficit), end of year	\$ -	\$ 15,465	\$ 13,917	\$ 73,174

Parks and Recreation	Maple Bay Development	Friend of the Court	Gypsy Moth Suppression Program	Veteran's Trust
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	851,657	-	-
-	-	321,720	20,815	18,102
3,094	-	126,259	79,606	-
270,955	43,733	116,046	-	-
154,989	-	-	-	-
-	-	-	-	-
21,557	-	727	-	-
450,595	43,733	1,416,409	100,421	18,102
-	-	1,453,382	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	112,736	17,950
646,208	45,066	-	-	-
-	-	834	-	-
646,208	45,066	1,454,216	112,736	17,950
(195,613)	(1,333)	(37,807)	(12,315)	152
235,297	-	289,713	12,315	549
-	-	(6,000)	-	-
235,297	-	283,713	12,315	549
39,684	(1,333)	245,906	-	701
153,232	37,385	529,142	-	288
\$ 192,916	\$ 36,052	\$ 775,048	\$ -	\$ 989

Continued...

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Register of Deeds Automation	Homestead	Corrections P.A. 511	County Law Library
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal sources	-	-	-	-
State sources	-	-	365,919	-
Local sources	-	-	-	-
Charges for services	-	34,624	98,092	-
Rental revenue	-	-	-	-
Interest revenue	-	-	-	-
Other revenue	-	-	-	10,363
Total revenues	-	34,624	464,011	10,363
Expenditures				
Judicial	-	-	-	2,682
General government	225,347	5,978	-	-
Public safety	-	-	479,357	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	55,167
Total expenditures	225,347	5,978	479,357	57,849
Revenues over (under) expenditures	(225,347)	28,646	(15,346)	(47,486)
Other financing sources (uses)				
Transfers in	163,720	-	30,000	60,150
Transfers out	-	-	-	-
Total other financing sources (uses)	163,720	-	30,000	60,150
Net change in fund balances	(61,627)	28,646	14,654	12,664
Fund balances, beginning of year	145,571	-	20,057	16,996
Fund balances (deficit), end of year	\$ 83,944	\$ 28,646	\$ 34,711	\$ 29,660

<u>Criminal Justice Training Act</u>	<u>Long Lake Township Watershed</u>	<u>Mitchell Creek Watershed</u>	<u>Park Street Redevelopment</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
14,445	-	-	20,889
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>14,445</u>	<u>-</u>	<u>-</u>	<u>20,889</u>
-	-	-	-
-	-	-	-
13,681	-	-	-
-	-	-	3,559
-	-	-	-
-	-	-	-
<u>13,681</u>	<u>-</u>	<u>-</u>	<u>3,559</u>
<u>764</u>	<u>-</u>	<u>-</u>	<u>17,330</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>764</u>	<u>-</u>	<u>-</u>	<u>17,330</u>
10,672	-	8,155	-
<u>\$ 11,436</u>	<u>\$ -</u>	<u>\$ 8,155</u>	<u>\$ 17,330</u>

Continued...

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	CDBG	EDC	CDBG Link Michigan	Family Independence Agency
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal sources	39,134	-	46,587	-
State sources	-	-	-	509,820
Local sources	-	-	-	-
Charges for services	-	-	-	-
Rental revenue	-	-	-	-
Interest revenue	-	92,605	-	-
Other revenue	64,996	101,601	-	-
Total revenues	104,130	194,206	46,587	509,820
Expenditures				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	102,576	74,821	52,001	547,073
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	102,576	74,821	52,001	547,073
Revenues over (under) expenditures	1,554	119,385	(5,414)	(37,253)
Other financing sources (uses)				
Transfers in	1,403	-	-	55,058
Transfers out	-	-	-	-
Total other financing sources (uses)	1,403	-	-	55,058
Net change in fund balances	2,957	119,385	(5,414)	17,805
Fund balances, beginning of year	28,006	768,640	5,414	157,583
Fund balances (deficit), end of year	\$ 30,963	\$ 888,025	\$ -	\$ 175,388

<u>Child Care</u>	<u>Juvenile Accountability</u>	<u>Grand Traverse County Commission on Aging</u>	<u>Corrections Officers Training</u>	<u>Local Law Enforcement Block Grant</u>	<u>Total</u>
\$ -	\$ -	\$ 836,272	\$ -	\$ -	\$ 836,272
-	111,671	-	-	17,021	1,159,915
576,708	10,814	1,500	-	-	1,919,487
-	-	2,621	-	-	997,412
718	-	79,143	36,877	-	958,609
-	-	-	-	-	154,989
-	-	-	-	116	92,721
93,526	-	16,089	-	-	309,369
670,952	122,485	935,625	36,877	17,137	6,428,774
-	-	-	-	-	5,538,112
-	-	-	-	-	231,325
-	-	-	25,788	-	518,826
1,791,842	122,485	922,030	-	-	3,747,073
-	-	-	-	-	750,274
-	-	-	-	19,977	81,536
1,791,842	122,485	922,030	25,788	19,977	10,867,146
(1,120,890)	-	13,595	11,089	(2,840)	(4,438,372)
1,050,000	-	2,500	-	1,608	4,784,749
-	-	-	-	-	(6,000)
1,050,000	-	2,500	-	1,608	4,778,749
(70,890)	-	16,095	11,089	(1,232)	340,377
13,096	-	477,327	-	1,232	2,522,159
\$ (57,794)	\$ -	\$ 493,422	\$ 11,089	\$ -	\$ 2,862,536

Concluded

GRAND TRAVERSE COUNTY

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS**

DECEMBER 31, 2004

	BUILDING AUTHORITY					Total
	Multi-Purpose Facility	Radio Communication	Public Services	Lafranier DPW	Woodmere	
Assets						
Cash and investments - cash equivalents (equal to unreserved, undesignated fund balances)	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ 64

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUILDING AUTHORITY					
	Multi- Purpose Facility	Radio Communication	Public Services	Lafranier DPW	Woodmere	Total
Revenues						
Interest revenue	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2
Expenditures						
Debt service						
Principal	85,000	145,000	75,000	115,000	150,000	570,000
Interest and fiscal charges	3,013	4,600	45,150	143,080	82,850	278,693
Total expenditures	88,013	149,600	120,150	258,080	232,850	848,693
Revenues (under) expenditures	(88,013)	(149,600)	(120,150)	(258,078)	(232,850)	(848,691)
Other financing sources						
Transfers in	88,013	149,600	120,150	258,080	232,850	848,693
Net change in fund balances	-	-	-	2	-	2
Fund balances, beginning of year	-	-	-	62	-	62
Fund balances, end of year	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ 64

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS

DECEMBER 31, 2004

	County Building Improvement Fund	County Facilities Fund	Building Authority Woodmere	Total
Assets				
Cash and investments - cash equivalents	\$ 2,285,072	\$ 948,915	\$ 69,954	\$ 3,303,941
Accounts receivable, net	-	40,811	-	40,811
Prepaid items and other assets	-	2,271	-	2,271
Total assets	\$ 2,285,072	\$ 991,997	\$ 69,954	\$ 3,347,023
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 171,121	\$ 88,906	\$ -	\$ 260,027
Fund balances				
Reserved for prepaid items	-	2,271	-	2,271
Unreserved and undesignated	2,113,951	900,820	69,954	3,084,725
Total fund balances	2,113,951	903,091	69,954	3,086,996
Total liabilities and fund balances	\$ 2,285,072	\$ 991,997	\$ 69,954	\$ 3,347,023

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	County Building Improvement Fund	County Facilities Fund	Building Authority Woodmere	Total
Revenues				
Local sources	\$ -	\$ 36,038	\$ -	\$ 36,038
Charges for services	-	28,634	-	28,634
Interest revenue	-	-	792	792
Other	872	5,712	-	6,584
Total revenues	872	70,384	792	72,048
Expenditures				
General government	405,366	964,203	-	1,369,569
Capital outlay	-	40,499	27,652	68,151
Total expenditures	405,366	1,004,702	27,652	1,437,720
Revenues (under) expenditures	(404,494)	(934,318)	(26,860)	(1,365,672)
Other financing sources				
Sale of capital assets	-	15,648	-	15,648
Transfers in	753,194	1,101,120	-	1,854,314
Total other financing sources	753,194	1,116,768	-	1,869,962
Net change in fund balances	348,700	182,450	(26,860)	504,290
Fund balances, beginning of year	1,765,251	720,641	96,814	2,582,706
Fund balances, end of year	\$ 2,113,951	\$ 903,091	\$ 69,954	\$ 3,086,996

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2004

			Tax Collections		
	Unpledged	2000 Levy	2001 Levy	2002 Levy	2004 Levy
Assets					
Current assets					
Cash and investments - cash equivalents	\$ 743,810	\$ -	\$ 1,099,652	\$ 1,524,795	\$ 11,591
Receivables, net					
Accounts	-	-	-	-	-
Taxes	3,140	-	15,011	249,780	23,124
Interest	8,894	-	8,607	86,084	937
Prepaid items and other assets	-	-	-	-	-
Total current assets	755,844	-	1,123,270	1,860,659	35,652
Capital assets					
Other capital assets, net of depreciation	-	-	-	-	-
Total assets	755,844	-	1,123,270	1,860,659	35,652
Liabilities					
Current liabilities					
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Total current liabilities	-	-	-	-	-
Long-term liabilities					
Compensated absences	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net assets					
Investment in capital assets	-	-	-	-	-
Unrestricted	755,844	-	1,123,270	1,860,659	35,652
Total net assets	\$ 755,844	\$ -	\$ 1,123,270	\$ 1,860,659	\$ 35,652

Inspections Fund	Solid Waste	Building Authority	Total
\$ 1,462,901	\$ 187,670	\$ 960	\$ 5,031,379
746	53,351	-	54,097
-	-	-	291,055
-	-	-	104,522
150	-	-	150
1,463,797	241,021	960	5,481,203
93,125	15,859	-	108,984
1,556,922	256,880	960	5,590,187
8,011	208,772	-	216,783
21,612	368	-	21,980
29,623	209,140	-	238,763
46,772	-	-	46,772
76,395	209,140	-	285,535
93,125	15,859	-	108,984
1,387,402	31,881	960	5,195,668
\$ 1,480,527	\$ 47,740	\$ 960	\$ 5,304,652

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Tax Collections				
	Unpledged	2000 Levy	2001 Levy	2002 Levy	2004 Levy
Operating revenues					
Charges for services	\$ 387	\$ -	\$ 4,579	\$ 57,309	\$ 434
Licenses and permits	-	-	-	-	-
State sources	-	-	-	-	-
Interest revenue	5,432	-	3,663	158,879	1,234
Other	265	-	2,554	18,289	-
Total operating revenues	6,084	-	10,796	234,477	1,668
Operating expenses					
Personnel services	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	1,090	6,600	-
Depreciation	-	-	-	-	-
Total operating expenses	-	-	1,090	6,600	-
Operating income (loss)	6,084	-	9,706	227,877	1,668
Nonoperating revenue (expense)					
Sale of capital assets	-	-	-	-	-
Interest revenue	15,899	-	32,654	44,340	22
Total nonoperating revenue (expense)	15,899	-	32,654	44,340	22
Income (loss) before transfers	21,983	-	42,360	272,217	1,690
Transfers					
Transfers in	106,711	-	-	-	33,962
Transfers out	-	(106,711)	(1,617,803)	(4,778,927)	-
Total transfers	106,711	(106,711)	(1,617,803)	(4,778,927)	33,962
Change in net assets	128,694	(106,711)	(1,575,443)	(4,506,710)	35,652
Net assets, beginning of year	627,150	106,711	2,698,713	6,367,369	-
Net assets, end of year	\$ 755,844	\$ -	\$ 1,123,270	\$ 1,860,659	\$ 35,652

Inspections Fund	Solid Waste	Building Authority	Total
\$ 19,242	\$ 450,197	\$ -	\$ 532,148
1,907,658	-	-	1,907,658
-	6,207	-	6,207
-	-	-	169,208
756	64,206	-	86,070
1,927,656	520,610	-	2,701,291
1,221,896	143,035	-	1,364,931
44,293	15,284	-	59,577
85,112	456,967	-	542,079
222,494	24,824	-	255,008
40,531	9,505	-	50,036
1,614,326	649,615	-	2,271,631
313,330	(129,005)	-	429,660
6,101	-	-	6,101
-	-	-	92,915
6,101	-	-	99,016
319,431	(129,005)	-	528,676
-	-	-	140,673
-	-	-	(6,503,441)
-	-	-	(6,362,768)
319,431	(129,005)	-	(5,834,092)
1,161,096	176,745	960	11,138,744
\$ 1,480,527	\$ 47,740	\$ 960	\$ 5,304,652

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Tax Collections				
	Unpledged	2000 Levy	2001 Levy	2002 Levy	2004 Levy
Cash flows from operating activities					
Cash receipts from services	\$ -	\$ -	\$ -	\$ -	\$ -
Cash receipts from payment of delinquent taxes	7,633	7,959	148,686	1,728,588	(22,381)
Cash payments to suppliers for goods and services	-	-	-	-	-
Cash payments to employees for services	-	-	-	-	-
Cash payments to other governmental agencies	-	-	(1,090)	(6,600)	-
Net cash provided by (used in) operating activities	7,633	7,959	147,596	1,721,988	(22,381)
Cash flows from non-capital financing activities					
Transfer from other funds	106,711	-	-	-	33,962
Transfer to other funds	-	(106,711)	(1,617,803)	(4,778,927)	-
Net cash provided by (used in) non-capital financing activities	106,711	(106,711)	(1,617,803)	(4,778,927)	33,962
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	-	-	-	-
Purchases of capital assets	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-
Cash flows provided by investing activities					
Interest received	10,560	156	33,775	49,424	10
Net increase (decrease) in cash and investments - cash equivalents	124,904	(98,596)	(1,436,432)	(3,007,515)	11,591
Cash and investments - cash equivalents, beginning of year	618,906	98,596	2,536,084	4,532,310	-
Cash and investments - cash equivalents, end of year	\$ 743,810	\$ -	\$ 1,099,652	\$ 1,524,795	\$ 11,591
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 6,084	\$ -	\$ 9,706	\$ 227,877	\$ 1,668
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	-	-
Changes in assets and liabilities:					
Accounts receivable	-	-	-	-	-
Taxes receivable	(1,682)	3,859	101,674	1,408,060	(23,124)
Interest receivable	(659)	1,312	33,402	83,357	(925)
Due from other governmental units	3,890	2,788	2,814	2,694	-
Prepaid items and other assets	-	-	-	-	-
Accounts payable	-	-	-	-	-
Accrued and other liabilities	-	-	-	-	-
Net cash provided by (used in) operating activities	\$ 7,633	\$ 7,959	\$ 147,596	\$ 1,721,988	\$ (22,381)

<u>Inspections</u>	<u>Solid Waste</u>	<u>Building Authority</u>	<u>Total</u>
\$ 1,927,505	\$ 579,658	\$ -	\$ 2,507,163
-	-	-	1,870,485
(476,566)	(293,139)	-	(769,705)
(1,241,880)	(143,573)	-	(1,385,453)
-	-	-	(7,690)
209,059	142,946	-	2,214,800
-	-	-	140,673
-	-	-	(6,503,441)
-	-	-	(6,362,768)
6,101	-	-	6,101
(65,600)	-	-	(65,600)
(59,499)	-	-	(59,499)
-	-	-	93,925
149,560	142,946	-	(4,113,542)
1,313,341	44,724	960	9,144,921
\$ 1,462,901	\$ 187,670	\$ 960	\$ 5,031,379

\$ 313,330	\$ (129,005)	\$ -	\$ 429,660
40,531	9,505	-	50,036
(151)	59,049	-	58,898
-	-	-	1,488,787
-	-	-	116,487
-	-	-	12,186
1,905	-	-	1,905
(126,572)	203,935	-	77,363
(19,984)	(538)	-	(20,522)
\$ 209,059	\$ 142,946	\$ -	\$ 2,214,800

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

DECEMBER 31, 2004

	Management Information Systems	County Insurance	Fringe Benefits
Assets			
Current assets			
Cash and investments - cash equivalents	\$ -	\$ 169,136	\$ 1,122,776
Accounts receivable, net	111,986	190	22,720
Prepaid items and other assets	50,750	-	42,269
Total current assets	162,736	169,326	1,187,765
Capital assets			
Equipment	2,684,019	-	-
Less accumulated depreciation	(2,265,603)	-	-
Total capital assets	418,416	-	-
Total assets	581,152	169,326	1,187,765
Liabilities			
Current liabilities			
Accounts payable	35,189	1,298	16,917
Accrued liabilities	12,114	73,727	427,878
Due to other funds	-	-	20,012
Current portion of note payable	-	-	-
Total current liabilities	47,303	75,025	464,807
Long-term liabilities			
Long-term advances from other funds	492,181	-	-
Compensated absences	41,668	-	-
Total long-term liabilities	533,849	-	-
Total liabilities	581,152	75,025	464,807
Net assets			
Investment in capital assets, net of related debt	-	-	-
Unrestricted	-	94,301	722,958
Total net assets	\$ -	\$ 94,301	\$ 722,958

Central Services	Motor Pool	Total
\$ 17,596	\$ -	\$ 1,309,508
31,096	-	165,992
34,016	-	127,035
82,708	-	1,602,535
289,176	1,806,165	4,779,360
(243,476)	(1,272,283)	(3,781,362)
45,700	533,882	997,998
128,408	533,882	2,600,533
9,189	-	62,593
86	-	513,805
11,572	-	31,584
10,435	-	10,435
31,282	-	618,417
-	288,504	780,685
-	-	41,668
-	288,504	822,353
31,282	288,504	1,440,770
35,265	245,378	280,643
61,861	-	879,120
\$ 97,126	\$ 245,378	\$ 1,159,763

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Management Information Systems	County Insurance	Fringe Benefits
Operating revenues			
Charges for services	\$ 1,306,505	\$ 539,376	\$ 7,985,993
Rental revenue	-	-	-
Other	-	-	98,824
Total operating revenues	1,306,505	539,376	8,084,817
Operating expenses			
Personnel services	548,711	-	75,102
Supplies	100,851	-	1,086
Contractual services	169,635	-	7,862,829
Other	214,618	589,494	2,069
Depreciation	289,977	-	-
Total operating expenses	1,323,792	589,494	7,941,086
Operating income (loss)	(17,287)	(50,118)	143,731
Nonoperating revenue (expense)			
Sale of capital assets	1,617	-	-
Interest revenue	-	-	4,008
Interest and fiscal charges	-	-	-
Total nonoperating revenue (expense)	1,617	-	4,008
Change in net assets	(15,670)	(50,118)	147,739
Net assets, beginning of year	15,670	144,419	575,219
Net assets, end of year	\$ -	\$ 94,301	\$ 722,958

Central Services	Motor Pool	Total
\$ 385,388	\$ -	\$ 10,217,262
-	307,587	307,587
-	-	98,824
385,388	307,587	10,623,673
31,848	-	655,661
224,503	130	326,570
5,815	-	8,038,279
63,148	48,938	918,267
42,567	167,645	500,189
367,881	216,713	10,438,966
17,507	90,874	184,707
-	-	1,617
-	-	4,008
(3,587)	-	(3,587)
(3,587)	-	2,038
13,920	90,874	186,745
83,206	154,504	973,018
\$ 97,126	\$ 245,378	\$ 1,159,763

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Management Information Systems	County Insurance	Fringe Benefits
Cash flows from operating activities			
Cash receipts from interfund services	\$ 1,380,943	\$ 561,823	\$ 8,071,223
Cash payments to suppliers for goods and services	(444,421)	(528,645)	(8,087,274)
Cash payments to employees for services	(550,757)	-	292,226
Net cash provided by operating activities	385,765	33,178	276,175
Cash flows from non-capital financing activities			
Advances to other funds	(140,133)	-	-
Due to other funds	(220,187)	-	20,012
Net cash provided by (used in) non-capital financing activities	(360,320)	-	20,012
Cash flows from capital and related financing activities			
Principal payments	-	-	-
Interest payments	-	-	-
Purchases of capital assets	(28,718)	-	-
Proceeds from sale of capital assets	3,273	-	-
Net cash used in capital and related financing activities	(25,445)	-	-
Cash flows provided by investing activities			
Interest received	-	-	4,008
Net increase in cash and investments - cash equivalents	-	33,178	300,195
Cash and investments - cash equivalents, beginning of year	-	135,958	822,581
Cash and investments - cash equivalents, end of year	\$ -	\$ 169,136	\$ 1,122,776

Central Services	Motor Pool	Total
\$ 409,800	\$ 307,587	\$ 10,731,376
(294,560)	(49,068)	(9,403,968)
(33,301)	-	(291,832)
81,939	258,519	1,035,576
-	(145,009)	(285,142)
(3,034)	(43,293)	(246,502)
(3,034)	(188,302)	(531,644)
(38,937)	-	(38,937)
(3,587)	-	(3,587)
(18,785)	(70,217)	(117,720)
-	-	3,273
(61,309)	(70,217)	(156,971)
-	-	4,008
17,596	-	350,969
-	-	958,539
\$ 17,596	\$ -	\$ 1,309,508

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Management Information Systems</u>	<u>County Insurance</u>	<u>Fringe Benefits</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (17,287)	\$ (50,118)	\$ 143,731
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	289,977	-	-
Changes in assets and liabilities			
Accounts receivables	74,438	22,447	(13,594)
Prepaid items and other assets	14,209	-	4,714
Inventories	-	-	-
Accounts payable	26,474	1,298	(226,004)
Accrued and other liabilities	(2,046)	59,551	367,328
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	<u><u>\$ 385,765</u></u>	<u><u>\$ 33,178</u></u>	<u><u>\$ 276,175</u></u>

Central Services	Motor Pool	Total
\$ 17,507	\$ 90,874	\$ 184,707
42,567	167,645	500,189
24,412	-	107,703
(1,845)	-	17,078
1,660	-	1,660
(909)	-	(199,141)
(1,453)	-	423,380
\$ 81,939	\$ 258,519	\$ 1,035,576

GRAND TRAVERSE COUNTY

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS**

DECEMBER 31, 2004

	Trust and Agency Fund	Inmate Trust	District Court Trust	Friend of Court Trust	Library Fines	Water and Sewer Receiving Funds	Total
Assets							
Cash and investments - cash equivalents	\$ 1,708,867	\$ 24,556	\$ 109,720	\$ 24,584	\$ 210,479	\$ 863,778	\$ 2,941,984
Accounts receivable, net	1,438	-	-	-	-	732,643	734,081
Total assets	\$ 1,710,305	\$ 24,556	\$ 109,720	\$ 24,584	\$ 210,479	\$ 1,596,421	\$ 3,676,065
Liabilities							
Due to other governments	\$ 899,692	\$ -	\$ -	\$ -	\$ -	\$ 731,565	\$ 1,631,257
Accounts payable	-	-	-	-	-	864,856	864,856
Court items payable	243,109	-	109,720	-	-	-	352,829
Undistributed receipts	566,630	-	-	-	210,479	-	777,109
Other liabilities	874	24,556	-	24,584	-	-	50,014
Total liabilities	\$ 1,710,305	\$ 24,556	\$ 109,720	\$ 24,584	\$ 210,479	\$ 1,596,421	\$ 3,676,065

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Trust and Agency Fund				
Assets				
Cash and investments- cash equivalents	\$ 2,941,765	\$ 59,605,977	\$ 60,838,875	\$ 1,708,867
Accounts receivable	548	1,744	854	1,438
Total assets	\$ 2,942,313	\$ 59,607,721	\$ 60,839,729	\$ 1,710,305
Liabilities				
Due to other governments	\$ 580,804	\$ 34,776,098	\$ 34,457,210	\$ 899,692
Court items payable	144,477	820,022	721,390	243,109
Undistributed receipts	2,216,943	20,352,324	22,002,637	566,630
Other liabilities	89	38,829	38,044	874
Total liabilities	\$ 2,942,313	\$ 55,987,273	\$ 57,219,281	\$ 1,710,305
Inmate Trust Fund				
Assets				
Cash and investments - cash equivalents	\$ 31,330	\$ 891,370	\$ 898,144	\$ 24,556
Liabilities				
Other liabilities	\$ 31,330	\$ 891,370	\$ 898,144	\$ 24,556
District Court Trust Fund				
Assets				
Cash and investments - cash equivalents	\$ 140,629	\$ 1,011,006	\$ 1,041,915	\$ 109,720
Liabilities				
Court items payable	\$ 140,629	\$ 1,011,006	\$ 1,041,915	\$ 109,720
Friend of Court Trust Fund				
Assets				
Cash and investments - cash equivalents	\$ 11,790	\$ 1,078,671	\$ 1,065,877	\$ 24,584
Liabilities				
Other liabilities	\$ 11,790	\$ 1,078,671	\$ 1,065,877	\$ 24,584

Continued...

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Library Fines Fund				
Assets				
Cash and investments - cash equivalents	\$ 220,393	\$ 345,064	\$ 354,978	\$ 210,479
Liabilities				
Undistributed receipts	\$ 220,393	\$ 345,064	\$ 354,978	\$ 210,479
Water and Sewer Receiving Funds				
Assets				
Cash and investments- cash equivalents	\$ 798,746	\$ 6,933,702	\$ 6,868,670	\$ 863,778
Accounts receivable	705,762	5,045,418	5,018,537	732,643
Total assets	\$ 1,504,508	\$ 11,979,120	\$ 11,887,207	\$ 1,596,421
Liabilities				
Accounts payable	\$ 798,746	\$ 864,856	\$ 798,746	\$ 864,856
Due to other governments	705,762	5,044,340	5,018,537	731,565
Total liabilities	\$ 1,504,508	\$ 5,909,196	\$ 5,817,283	\$ 1,596,421
Total Agency Funds				
Assets				
Cash and investments - cash equivalents	\$ 4,144,653	\$ 69,865,790	\$ 71,068,459	\$ 2,941,984
Accounts receivable	706,310	5,047,162	5,019,391	734,081
Total assets	\$ 4,850,963	\$ 74,912,952	\$ 76,087,850	\$ 3,676,065
Liabilities				
Due to other governments	\$ 1,286,566	\$ 39,820,438	\$ 39,475,747	\$ 1,631,257
Accounts payable	798,746	864,856	798,746	864,856
Court items payable	285,106	1,831,028	1,763,305	352,829
Undistributed receipts	2,437,336	20,697,388	22,357,615	777,109
Other liabilities	43,209	2,008,870	2,002,065	50,014
Total liabilities	\$ 4,850,963	\$ 65,222,580	\$ 66,397,478	\$ 3,676,065

Concluded

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF NET ASSETS DEPARTMENT OF PUBLIC WORKS COMPONENT UNIT

DECEMBER 31, 2004

	DPW	Septage Facility
Assets		
Current assets		
Cash and investments - cash equivalents	\$ 3,614,553	\$ 2,381,727
Receivables, net		
Accounts	68,326	-
Note	-	400,000
Lease	15,400,000	-
Interest	453,599	5,290
Due from other governments	369,045	-
Total current assets	19,905,523	2,787,017
Capital assets		
Land	-	400,000
Construction in progress	47,512,018	5,063,193
Total capital assets	47,512,018	5,463,193
Other assets		
Unamortized bond issuance costs	230,277	92,625
Total assets	67,647,818	8,342,835
Liabilities		
Current liabilities		
Accounts payable	601,631	403,389
Accrued liabilities	160,400	-
Accrued interest payable	446,767	48,167
Unearned revenue	-	52,497
Due to other governments	102,000	-
Current portion of bonds payable	2,905,000	275,000
Total current liabilities	4,215,798	779,053
Long-term liabilities		
Bonds payable	58,874,918	7,525,000
Compensated absences	45,616	-
Total long-term liabilities	58,920,534	7,525,000
Total liabilities	63,136,332	8,304,053
Net assets		
Investment in capital assets, net of related debt	3,417,218	-
Unrestricted	1,094,268	38,782
Total net assets	\$ 4,511,486	\$ 38,782

Acme Septage Facility		Garfield Septage Facility		Total
\$	-	\$	4,063	\$ 6,000,343
	-		-	68,326
	-		-	400,000
	-		-	15,400,000
	-		-	458,889
	-		-	369,045
	-		4,063	22,696,603
	-		-	400,000
	-		-	52,575,211
	-		-	52,975,211
	-		-	322,902
	-		4,063	75,994,716
	-		-	1,005,020
	-		-	160,400
	-		-	494,934
	-		-	52,497
	-		-	102,000
	-		-	3,180,000
	-		-	4,994,851
	-		-	66,399,918
	-		-	45,616
	-		-	66,445,534
	-		-	71,440,385
	-		-	3,417,218
	-		4,063	1,137,113
\$	-	\$	4,063	\$ 4,554,331

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS DEPARTMENT OF PUBLIC WORKS COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	DPW	Septage Facility
Operating revenues		
Charges for services	\$ 3,387,533	\$ -
Local sources	4,574,063	-
Other	40,077	-
Total operating revenues	8,001,673	-
Operating expenses		
Personnel services	891,782	-
Public works	63,804	-
Supplies	298,941	-
Contractual services	144,609	-
Other	2,092,271	-
Total operating expenses	3,491,407	-
Operating income	4,510,266	-
Nonoperating revenue (expense)		
Interest revenue	71,696	55,243
Loss on disposal of land	-	(16,461)
Interest and fiscal charges	(2,663,678)	-
Total nonoperating revenue (expense)	(2,591,982)	38,782
Change in net assets	1,918,284	38,782
Net assets, beginning of year	2,593,202	-
Net assets, end of year	\$ 4,511,486	\$ 38,782

Acme Septage Facility	Garfield Septage Facility	Total
\$ -	\$ -	\$ 3,387,533
-	4,456	4,578,519
-	3,864	43,941
-	8,320	8,009,993
-	-	891,782
-	-	63,804
-	-	298,941
-	75	144,684
-	4,182	2,096,453
-	4,257	3,495,664
-	4,063	4,514,329
-	-	126,939
-	-	(16,461)
-	-	(2,663,678)
-	-	(2,553,200)
-	4,063	1,961,129
-	-	2,593,202
\$ -	\$ 4,063	\$ 4,554,331

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF CASH FLOWS DEPARTMENT OF PUBLIC WORKS COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	DPW	Septage Facility
Cash flows from operating activities		
Cash receipts from services	\$ 8,320,961	\$ 52,497
Cash payments to suppliers for goods and services	(3,174,503)	4,875
Cash payments to employees for services	(831,251)	-
Net cash provided by operating activities	4,315,207	57,372
Cash flows used in non-capital financing activities		
Advance from primary government	(94,742)	(345,818)
Cash flows from capital and related financing activities		
Payment of lease receivable	820,000	-
Bond proceeds	1,680,000	7,670,000
Bond issuance costs	(20,641)	(97,500)
Principal payments	(2,745,000)	-
Interest payments	(2,680,057)	(212,890)
Proceeds from sale of capital assets	-	74,156
Purchases of capital assets	(7,792,263)	(4,813,546)
Net cash provided by (used in) capital and related financing activities	(10,737,961)	2,620,220
Cash flows provided by investing activities		
Interest received	108,997	49,953
Net (decrease) increase in cash and investments - cash equivalents	(6,408,499)	2,381,727
Cash and investments - cash equivalents, beginning of year	10,023,052	-
Cash and investments - cash equivalents, end of year	\$ 3,614,553	\$ 2,381,727
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 4,510,266	\$ -
Adjustments to reconcile operating income to net cash from operating activities		
Amortization of bond issuance costs	17,685	4,875
Changes in assets and liabilities		
Accounts receivables	(44,040)	-
Due from other governmental units	363,328	-
Accounts payable	(592,563)	-
Deferred revenue	-	52,497
Accrued and other liabilities	60,531	-
Net cash provided by operating activities	\$ 4,315,207	\$ 57,372

Noncash transactions: Septage facility land of \$490,617 was sold for \$474,156, receiving \$400,000 in the form of a note receivable. Septage facility capital assets in the amount of \$319,169 are included in accounts payable.

Acme Septage Facility	Garfield Septage Facility	Total
\$ 17,744	\$ 8,822	\$ 8,400,024
(8,849)	(4,257)	(3,182,734)
-	-	(831,251)
8,895	4,565	4,386,039
(8,895)	(502)	(449,957)
-	-	820,000
-	-	9,350,000
-	-	(118,141)
-	-	(2,745,000)
-	-	(2,892,947)
-	-	74,156
-	-	(12,605,809)
-	-	(8,117,741)
-	-	158,950
-	4,063	(4,022,709)
-	-	10,023,052
\$ -	\$ 4,063	\$ 6,000,343
\$ -	\$ 4,063	\$ 4,514,329
-	-	22,560
17,744	502	(25,794)
-	-	363,328
(8,849)	-	(601,412)
-	-	52,497
-	-	60,531
\$ 8,895	\$ 4,565	\$ 4,386,039

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET DRAIN COMMISSION COMPONENT UNIT

DECEMBER 31, 2004

	Capital Projects Funds			
	Heritage Estates Drain Special Assessment	Acme Town Center Project	Sam's Club Drain Special Assessment	Silver Lake Farms Drain Special Assessment
Assets				
Cash and investments - cash equivalents	\$ 1,299	\$ 1,581	\$ 3,687	\$ 795
Receivables, net				
Accounts	-	-	-	-
Interest	-	-	-	-
Total assets	\$ 1,299	\$ 1,581	\$ 3,687	\$ 795
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund balances				
Unreserved and undesignated	1,299	1,581	3,687	795
Total liabilities and fund balances	\$ 1,299	\$ 1,581	\$ 3,687	\$ 795

Cherry Ridge Estates Drain Special Assessment	Holiday South Drain Special Assessment	Westchester Hills Drain Special Assessment	Silver Lake Lake Level Special Assessment
\$ 3,972	\$ 600	\$ 321	\$ 11,069
-	-	-	-
-	-	-	-
\$ 3,972	\$ 600	\$ 321	\$ 11,069
\$ -	\$ -	\$ -	\$ -
3,972	600	321	11,069
\$ 3,972	\$ 600	\$ 321	\$ 11,069

Continued...

GRAND TRAVERSE COUNTY

COMBINING BALANCE SHEET DRAIN COMMISSION COMPONENT UNIT

DECEMBER 31, 2004

	Capital Projects Funds		
	Deepwater Point Drain Special Assessment	Old Mission Drain Special Assessment	Cass Road Drain Special Assessment
Assets			
Cash and investments - cash equivalents	\$ 37,138	\$ 2,046	\$ 4,371
Receivables, net			
Accounts	-	-	-
Interest	54	-	-
Total assets	\$ 37,192	\$ 2,046	\$ 4,371
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund balances			
Unreserved and undesignated	37,192	2,046	4,371
Total liabilities and fund balances	\$ 37,192	\$ 2,046	\$ 4,371

Gilbert Park Drain Special Assessment	Timberlane Drive Drain Special Assessment	Drain Revolving	Total
\$ 7,790	\$ 57,124	\$ -	\$ 131,793
-	-	13,153	13,153
-	84	-	138
<u>\$ 7,790</u>	<u>\$ 57,208</u>	<u>\$ 13,153</u>	<u>\$ 145,084</u>

\$ -	\$ -	\$ 13,153	\$ 13,153
<u>7,790</u>	<u>57,208</u>	<u>-</u>	<u>131,931</u>
<u>\$ 7,790</u>	<u>\$ 57,208</u>	<u>\$ 13,153</u>	<u>\$ 145,084</u>

Concluded

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DRAIN COMMISSION COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Capital Projects Funds			
	Heritage Estates Drain Special Assessment	Acme Town Center Project	Sam's Club Drain Special Assessment	Silver Lake Farms Drain Special Assessment
Revenues				
Interest revenue	\$ 12	\$ 14	\$ 34	\$ 7
Expenditures				
Public works	-	-	-	-
Net change in fund balances	12	14	34	7
Fund balances, beginning of year	1,287	1,567	3,653	788
Fund balances, end of year	\$ 1,299	\$ 1,581	\$ 3,687	\$ 795

Cherry Ridge Estates Drain Special Assessment	Holiday South Drain Special Assessment	Westchester Hills Drain Special Assessment	Silver Lake Lake Level Special Assessment
\$ 36	\$ 6	\$ 3	\$ 125
-	-	-	2,510
36	6	3	(2,385)
3,936	594	318	13,454
\$ 3,972	\$ 600	\$ 321	\$ 11,069

Continued...

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DRAIN COMMISSION COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Capital Projects Funds		
	Deepwater Point Drain Special Assessment	Old Mission Drain Special Assessment	Cass Road Drain Special Assessment
Revenues			
Interest revenue	\$ 374	\$ 19	\$ 40
Expenditures			
Public works	-	-	-
Net change in fund balances	374	19	40
Fund balances, beginning of year	36,818	2,027	4,331
Fund balances, end of year	\$ 37,192	\$ 2,046	\$ 4,371

Gilbert Park Drain Special Assessment	Timberlane Drive Drain Special Assessment	Drain Revolving	Total
\$ 72	\$ 575	\$ -	\$ 1,317
-	-	-	2,510
72	575	-	(1,193)
7,718	56,633	-	133,124
\$ 7,790	\$ 57,208	\$ -	\$ 131,931

Concluded

GRAND TRAVERSE COUNTY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET BROWNFIELD REDEVELOPMENT AUTHORITY COMPONENT UNIT

DECEMBER 31, 2004

	Capital Projects Funds			
	Harbor View Centre	River's Edge	CSXT Boardman Lake	Van Wagoner
Assets				
Cash and investments - cash equivalents	\$ 56,495	\$ 70,748	\$ 199,444	\$ 40,433
Receivables, net				
Accounts	10,162	-	-	-
Taxes	7,991	3,041	23,964	9,026
Due from other funds	-	-	6,000	-
Deferred charges	56,066	70,000	-	-
Total assets	\$ 130,714	\$ 143,789	\$ 229,408	\$ 49,459
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 56,066	\$ 70,012	\$ 7,348	\$ -
Due to other funds	-	-	-	-
Due to state	51,714	-	-	-
Unearned revenue	18,153	3,041	27,732	9,026
Total liabilities	125,933	73,053	35,080	9,026
Fund balances / net assets				
Reserved for deferred charges	4,781	70,000	-	-
Unreserved and undesignated	-	736	194,328	40,433
Total fund balances	4,781	70,736	194,328	40,433
Total liabilities and fund balances	\$ 130,714	\$ 143,789	\$ 229,408	\$ 49,459

Park Street	Traverse House SVN	Bridgestone Firestone	Copper Ridge
\$ 109,810	\$ -	\$ 31,947	\$ 211,281
-	-	-	-
-	-	16,966	130,504
-	-	-	-
1,500,000	-	29,560	-
\$ 1,609,810	\$ -	\$ 78,473	\$ 341,785
\$ 1,502,078	\$ -	\$ 32,927	\$ 3,034
-	-	-	-
-	-	-	208,247
-	-	16,966	130,504
1,502,078	-	49,893	341,785
107,732	-	28,580	-
-	-	-	-
107,732	-	28,580	-
\$ 1,609,810	\$ -	\$ 78,473	\$ 341,785

Continued...

GRAND TRAVERSE COUNTY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET BROWNFIELD REDEVELOPMENT AUTHORITY COMPONENT UNIT

DECEMBER 31, 2004

	Capital Projects Funds			
	Kirby Boot Lake	Melling Tool	Traverse Cast	Grand Traverse Auto
Assets				
Cash and investments - cash equivalents	\$ 940	\$ 6,154	\$ -	\$ 2,355
Receivables, net				
Accounts	-	-	6,000	1,000
Taxes	337	3,869	-	-
Due from other funds	-	-	-	-
Deferred charges	-	-	175,018	-
Total assets	\$ 1,277	\$ 10,023	\$ 181,018	\$ 3,355
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 1,154	\$ 175,018	\$ 3,113
Due to other funds	-	-	6,000	-
Due to state	-	-	-	-
Unearned revenue	337	3,869	-	-
Total liabilities	337	5,023	181,018	3,113
Fund balances / net assets				
Reserved for deferred charges	-	-	-	-
Unreserved and undesignated	940	5,000	-	242
Total fund balances	940	5,000	-	242
Total liabilities and fund balances	\$ 1,277	\$ 10,023	\$ 181,018	\$ 3,355
Net assets				
Unrestricted				

Grand Traverse Commons	Local Revolving Loan Fund	Total	Adjustments	Statement of Net Assets
\$ 5,556	\$ 346,592	\$ 1,081,755	\$ -	\$ 1,081,755
-	-	17,162	-	17,162
930	-	196,628	-	196,628
-	-	6,000	(6,000)	-
-	-	1,830,644	-	1,830,644
\$ 6,486	\$ 346,592	\$ 3,132,189	\$ (6,000)	\$ 3,126,189
\$ -	\$ -	\$ 1,850,750	\$ -	\$ 1,850,750
-	-	6,000	(6,000)	-
-	-	259,961	-	259,961
930	-	210,558	-	210,558
930	-	2,327,269	(6,000)	2,321,269
-	-	211,093	(211,093)	-
5,556	346,592	593,827	(593,827)	-
5,556	346,592	804,920	(804,920)	-
\$ 6,486	\$ 346,592	\$ 3,132,189		
			\$ 804,920	\$ 804,920

Concluded

GRAND TRAVERSE COUNTY

STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BROWNFIELD REDEVELOPMENT AUTHORITY COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Capital Projects Funds			
	Harbor View Centre	River's Edge	CSXT Boardman Lake	Van Wagoner
Expenditures/expenses				
Public works	\$ -	\$ 134,410	\$ 7,036	\$ -
Debt service				
Principal	24,579	-	-	-
Interest	553	-	-	-
Net program expense	25,132	134,410	7,036	-
General revenues				
Taxes	137,580	198,611	125,092	39,921
Interest revenue	4,265	1,138	2,566	383
Total general revenues	141,845	199,749	127,658	40,304
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(195,692)	-	-	-
Total other financing sources (uses)	(195,692)	-	-	-
Change in fund balances / net assets	(78,979)	65,339	120,622	40,304
Fund balances/net assets, beginning of year	83,760	5,397	73,706	129
Fund balances/net assets, end of year	\$ 4,781	\$ 70,736	\$ 194,328	\$ 40,433

Park Street	Traverse House SVN	Bridgestone Firestone	Copper Ridge
\$ 60,692	\$ -	\$ 3,367	\$ 10,758
-	-	-	-
-	-	-	-
60,692	-	3,367	10,758
91,889	-	15,809	94,812
1,275	-	1,081	2,735
93,164	-	16,890	97,547
-	-	-	-
-	-	-	(141,497)
-	-	-	(141,497)
32,472	-	13,523	(54,708)
75,260	-	15,057	54,708
\$ 107,732	\$ -	\$ 28,580	\$ -

Continued...

GRAND TRAVERSE COUNTY

STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BROWNFIELD REDEVELOPMENT AUTHORITY COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Capital Projects Funds			
	Kirby Boot Lake	Melling Tool	Traverse Cast	Grand Traverse Auto
Expenditures/expenses				
Public works	\$ -	\$ 9,123	\$ -	\$ 2,612
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Net program expense	-	9,123	-	2,612
General revenues				
Taxes	938	11,921	-	1,260
Interest revenue	2	175	-	35
Total general revenues	940	12,096	-	1,295
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(9,403)	-	-
Total other financing sources (uses)	-	(9,403)	-	-
Change in fund balances / net assets	940	(6,430)	-	(1,317)
Fund balances/net assets, beginning of year	-	11,430	-	1,559
Fund balances/net assets, end of year	\$ 940	\$ 5,000	\$ -	\$ 242

Grand Traverse Commons	Local Revolving Loan Fund	Total	Adjustments	Statement of Activities
\$ 1,000	\$ -	\$ 228,998	\$ -	\$ 228,998
-	-	24,579	(24,579)	-
-	-	553	-	553
1,000	-	254,130	(24,579)	229,551
5,394	-	723,227	-	723,227
63	-	13,718	-	13,718
5,457	-	736,945	-	736,945
-	346,592	346,592	-	346,592
-	-	(346,592)	-	(346,592)
-	346,592	-	-	-
4,457	346,592	482,815	24,579	507,394
1,099	-	322,105	341,603	297,526
\$ 5,556	\$ 346,592	\$ 804,920	\$ 366,182	\$ 804,920

Continued...

GRAND TRAVERSE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BROWNFIELD REDEVELOPMENT AUTHORITY COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Reconciliation of the Combining Statement of Revenues, Expenditures and Change in Fund Balances of Brownfield Redevelopment Authority Component Unit to the Statement of Activities

Net change in fund balances - Total Brownfield Redevelopment Authority Component Unit	\$ 482,815
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	<u>24,579</u>
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Change in Net Assets of Brownfield Redevelopment Authority Component Unit	<u>\$ 507,394</u>
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Concluded

GRAND TRAVERSE COUNTY
BALANCE SHEET
EDC OF GRAND TRAVERSE COUNTY
COMPONENT UNIT
DECEMBER 31, 2004

Assets

Cash and investments- cash equivalents (equal to undesignated fund balance)	<u><u>\$ 16,618</u></u>
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GRAND TRAVERSE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE EDC OF GRAND TRAVERSE COUNTY COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Expenditures/expenses	
Public works	\$ 900
Revenues	
Interest revenue	<u>124</u>
Net change in fund balance	(776)
Fund balance, beginning of year	<u>17,394</u>
Fund balance, end of year	<u><u>\$ 16,618</u></u>

SINGLE AUDIT SECTION



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

May 31, 2005

Board of Commissioners
Grand Traverse County
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Grand Traverse County, Michigan***, as of and for the year ended December 31, 2004, which collectively comprise ***Grand Traverse County, Michigan's*** basic financial statements and have issued our report thereon dated May 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated May 31, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, members of the Board of Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

GRAND TRAVERSE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM GRANT AMOUNT</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASS-THROUGH MICHIGAN DEPARTMENT OF COMMUNITY HEALTH				
Bioterrorism - Supplemental	93.283	N/A	\$	247,284
Maternal and Child Health Service Block Grant	93.994	N/A		61,381
Family Planning Project	93.217	N/A		54,992
Medicaid administration	93.778	N/A		7,328
Chronic Disease Prevention and Health Promotion	93.283	N/A		4,836
Immunization	93.268	N/A		30,201
Immunization - Vaccines	93.268	N/A		352,531
PASS - THROUGH MICHIGAN STATE COURT ADMINISTRATION OFFICE				
Access and visitation grant for 2005	93.597	N/A	\$ 8,000	2,118
Access and visitation grant for 2004	93.597	N/A	20,000	13,315
PASS - THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY				
Title IV-D incentive payments	93.560	N/A		296,465
Child Support Enforcement - Medical	93.563	csmed-05-28001	34,921	6,463
Child Support Enforcement - Medical	93.563	csmed-04-28001	34,921	14,394
Title IV-D Reimbursement - Friend of the Court	93.563	cs/foc-05-28001	1,006,066	158,764
Title IV-D Reimbursement - Friend of the Court	93.563	cs/foc-04-28001	945,522	360,137
Title IV-D Reimbursement - Prosecutor	93.563	cspa-05-28002	127,975	11,046
Title IV-D Reimbursement - Prosecutor	93.563	cspa-04-28002	127,995	45,313
Title IV-E - Prosecutor	93.658	prof-04-28001	5,075	5,075
Temporary Assistance for Needy Families- parents as teachers	93.558	ctfpr04-28001	179,019	109,099
Temporary Assistance for Needy Families- parents as teachers	93.558	ctfpr05-28001	145,465	36,366
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				1,817,108
U.S. DEPARTMENT OF TRANSPORTATION				
PASS-THROUGH MICHIGAN OFFICE OF HIGHWAY SAFETY PLANNING				
Tart Trail IV	20.205	STE - 28900		67,557
Knight Rd at Parker Creek	20.205	STP 0128(000)		3,480
Brown Bridge Road	20.205	STP 9278 (008)		24,746
Silver Lake - US 31 to Lillian Lane	20.205	STP 1993 (001)		38,600
Highway safety project	20.600	N/A		12,045
Occupant Protection	20.602	N/A		7,123
Safety Incentive Grants for Use of Seatbelts	20.604	N/A		16,916
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				170,467
U.S. DEPARTMENT OF AGRICULTURE				
PASS-THROUGH MICHIGAN DEPARTMENT OF COMMUNITY HEALTH				
Woman and Infant Children Program	10.557	N/A		221,558

Continued...

GRAND TRAVERSE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM GRANT AMOUNT</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF JUSTICE				
DIRECT PROGRAM				
Bullet Proof Vest	16.607	N/A	\$ 6,885	\$ 1,748
Local law enforcement block grant	16.592	2003-LB-BX-0523	17,286	2,551
Local law enforcement block grant	16.592	2002-LB-BX-1349	17,286	14,470
PASS-THROUGH MICHIGAN OFFICE OF DRUG CONTROL POLICY				
Live Scan Interface	16.579	20043058	15,000	15,000
Anti-Drug Abuse Act - Juvenile Drug Court	16.579	72048-4-05-B	39,244	9,414
Anti-Drug Abuse Act - Juvenile Drug Court	16.579	72048-3-04-B	46,180	33,569
Anti-Drug Abuse Act - DTT	16.579	70895-4-03-B	26,000	20,036
Anti Drug Abuse Act - Drug Treatment Court Implementation	16.579	72045-3-04-B	75,000	71,876
Anti Drug Abuse Act - Drug Treatment Court Implementation	16.579	72045-4-05-B	62,500	21,969
PASS-THROUGH MISSAUKEE COUNTY				
Anti-Drug Abuse Act - TNT Officer	16.579	70772-6-03-B	38,518	28,495
Anti-Drug Abuse Act - TNT Officer	16.579	70772-8-04-B	39,680	10,907
PASS-THROUGH MICHIGAN STATE POLICE				
2003 State Homeland Security Grant Program Part II Solution Area Planner	16.007	N/A	43,000	14,924
State Homeland Security Grant Program - 2003 Equipment Grant	16.007	N/A	79,322	69,194
State Homeland Security Grant Program - Exercise Grant	16.007	N/A	12,000	7,715
PASS-THROUGH MICHIGAN OFFICE OF JUVENILE JUSTICE				
Juvenile Justice Accountability Incentive Block Grant	16.523	JABGN-04-28001	134,701	11,780
Juvenile Justice Accountability Incentive Block Grant	16.523	JABGN-05-28001	134,701	99,891
TOTAL U.S. DEPARTMENT OF JUSTICE				433,539
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY				
PASS-THROUGH MICHIGAN DEPARTMENT OF STATE POLICE				
Emergency Management Assistance	97.042	N/A	19,984	19,984
Hazard Mitigation Grant Program - Hazard Mitigation Planning for NW Lower Penin	83.548	N/A	206,250	103,665
TOTAL U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY				123,649
U.S. DEPARTMENT OF HOMELAND SECURITY				
PASS-THROUGH MICHIGAN DEPARTMENT OF STATE POLICE				
2002 Supplemental funds planning grant - 302	97.051	N/A	3,000	3,000
2002 State Domestic Preparedness Grant	97.004	N/A	26,778	26,778
2003 State Homeland Security Grant Program Part II Training	97.004	N/A	79,688	20,099
2004 State Homeland Security Grant Program	97.004	N/A	535,850	29,167
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				79,044

Continued...

GRAND TRAVERSE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM GRANT AMOUNT</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
PASS - THROUGH MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY				
CDBG State's Housing Grant Program	14.228	MSC-2002-0781-HOA	\$ 300,000	\$ 39,133
CDBG State's Housing Grant Program - Program Income	14.228	N/A		69,460
PASS - THROUGH MICHIGAN ECONOMIC DEVELOPMENT CORPORATION				
Three Mile Road Expansion	14.228	99043 EDIG	460,000	168,661
CDBG State's Program - LinkMichigan Regional Telecommunications Planning Proje	14.228	MSC 202058-LMRP	120,000	46,587
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				323,841
TOTAL FEDERAL AWARDS				3,169,206
Less Program income recorded as local revenue				(69,460)
Less Road commission federal revenue				(303,044)
Federal revenue recorded per financial statements			\$	2,796,702
				Concluded

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- At December 31, 2004 the County had loans outstanding to local businesses generated by grants received from the Department of Housing and Urban Development in the amount of \$ 2,368,950.
- Basis of presentation-
The schedule of expenditures of federal awards includes the federal grant activity of Grand Traverse County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A – 133**

May 31, 2005

Board of Commissioners
Grand Traverse County
Traverse City, Michigan

Compliance

We have audited the compliance of *Grand Traverse County, Michigan* (the “County”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County’s compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, others within the organization, the Board of Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

GRAND TRAVERSE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2004

SECTION I - SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of Auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) ?	No

Identification of major program:

<u>CFDA #</u>	<u>Name of Program</u>
93.563	Child Support Enforcement
93.268	Immunization
93.283	Bioterrorism

Dollar threshold to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low risk auditee?	Yes

GRAND TRAVERSE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs are reported.

**SEC DISCLOSURES
(UNAUDITED)**

GRAND TRAVERSE COUNTY

SEC CONTINUING DISCLOSURES (UNAUDITED)

DECEMBER 31, 2004

PROPERTY SUBJECT TO TAXATION

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50 % or less. The state equalized and taxable values from 1992 to the present are as follows.

	State Equalized Value	Taxable Value
1992	\$ 1,364,445,570	
1993	1,559,346,875	
1994	1,645,345,115	
1995	1,797,829,030	\$ 1,721,285,203
1996	1,976,325,174	1,820,178,465
1997	2,174,276,291	1,968,129,058
1998	2,445,648,771	2,117,448,190
1999	2,719,016,666	2,274,876,236
2000	3,035,139,549	2,444,761,999
2001	3,474,408,631	2,660,297,821
2002	3,854,263,677	2,876,572,761
2003	4,246,196,554	3,071,914,200
2004	4,619,315,062	3,322,297,341

Beginning in 1995 property was assessed based on taxable value in addition to state equalized value.

GRAND TRAVERSE COUNTY

SEC CONTINUING DISCLOSURES (UNAUDITED)

DECEMBER 31, 2004

COUNTY TAX RATES AND LEVIES

The County tax rates and levies applicable to all County residents from 2000 to 2004 are as follows:

	2000	2001	2002	2003	2004
County operating	5.4719	5.3931	5.3165	5.2112	5.1267
Council on aging	0.2904	0.2862	0.2820	0.2763	0.2718
District library	1.0000	1.0000	1.0191	0.9990	0.9827
District library debt	0.1760	0.2500	0.2500	0.2300	0.2130
Traverse Bay ISD	3.0459	2.1890	2.7993	2.7820	2.7665
County medical care facility	0.7244	0.7139	0.7037	0.6897	0.6785
N.W. Michigan Community College	3.1832	3.1487	3.1152	3.0693	2.8324
BATA	0.1740	1.7130	0.1683	0.3500	0.3428
Total all jursidictions	14.0658	14.6939	13.6541	13.6075	13.2144

GRAND TRAVERSE COUNTY

SEC CONTINUING DISCLOSURES (UNAUDITED)

DECEMBER 31, 2004

TAX COLLECTION RECORD

The County's taxes are due December 1 of each year until 2005 at which time a portion will be due July 1 and are payable without penalty and interest until September 1st and the remaining will be due December 1 and are payable without penalty or interest on or before the following February 28th. All real property taxes remaining unpaid on March 1st are turned over by local units to the County Treasurer for collection. The County annually pays, from the tax revolving fund, delinquent taxes on real property to all taxing units within the County including the County itself. The payments from this fund have resulted in collections of real property taxes by local units approaching 100%. Delinquent personal property taxes are negligible.

The following table reports the County operating tax levy and collection record of real property taxes:

<u>Tax Year</u>	<u>Operating Tax</u> <u>Levy</u>	<u>Real Property</u> <u>Collections</u> <u>Through March 1</u>	<u>Percent of Levy</u> <u>Initially Collected</u>	<u>Collections Plus</u> <u>Revolving Fund</u> <u>Reimbursement</u>
1996	\$ 10,419,094	\$ 9,533,244	91.5%	100%
1997	11,201,375	10,262,009	91.6%	100%
1998	11,918,911	10,987,545	92.2%	100%
1999	12,572,824	11,615,464	92.4%	100%
2000	13,244,770	12,182,757	92.0%	100%
2001	14,182,734	13,126,948	92.6%	100%
2002	15,109,193	14,070,231	93.1%	100%
2003	15,752,780	14,682,260	93.2%	100%
2004	16,710,666	15,662,758	93.7%	100%

GRAND TRAVERSE COUNTY

SEC CONTINUING DISCLOSURES (UNAUDITED)

DECEMBER 31, 2004

GENERAL FUND REVENUES AND EXPENDITURES

	2000		2001		2002		2003		2004
Revenues and transfers in	\$ 24,759,523	\$	26,616,941	\$	29,331,485	\$	30,428,255	\$	31,076,189
Expenditures and transfers out	24,920,181		26,362,258		29,281,133		29,883,735		31,209,019
Revenues and transfers in over (under) expenditures and transfers out	(160,658)		254,683		50,352		544,520		(132,830)
Fund balance - beginning of year	5,113,701		4,953,043		5,207,726		5,258,078		5,802,598
Fund balance - end of year	\$ 4,953,043	\$	5,207,726	\$	5,258,078	\$	5,802,598	\$	5,669,768

GRAND TRAVERSE COUNTY

SEC CONTINUING DISCLOSURES (UNAUDITED)

DECEMBER 31, 2004

DEBT STATEMENT: SEPTEMBER 30, 2004

Direct Debt of County	<u>Gross</u>	Self - Supporting or portion paid Directly by Benefitted <u>Municipalities</u>	<u>Net</u>
Sewer and Water bonds	\$ 70,950,000	\$ 70,950,000	\$ -
Building Authority bonds	32,225,000	-	32,225,000
Transportation Fund Bond	680,000	680,000	-
Transportation Fund Notes (no county credit pledge)	1,770,000	1,770,000	-
	<u>\$ 103,855,000</u>	<u>\$ 71,630,000</u>	<u>\$ 32,225,000</u>

Per Capita County Net Direct Debt	\$ 414.98
Percent County Net Direct Debt to 2001 State Equalization Valuation	0.97%

Overlapping Debt of County

Schools	\$ 80,029,319
Cities	30,394,953
Townships	49,041,891
Villages	195,000
Intermediate School District	-
Community College	35,230,000
District Library	<u>6,562,234</u>

Net overlapping debt	<u>201,453,397</u>
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Net Direct and Overlapping debt	<u><u>\$ 233,678,397</u></u>
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Per Capita County Direct and overlapping debt	\$ 3,009.23
Percent net Direct and Overlapping debt to 2004 Taxable Value	7.03%

Source: Grand Traverse County and
Municipal Advisory Council of Michigan

Debt statement is as of September 30, 2004, the most recent date for which all information was available.



REHMANN ROBSON

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May 31, 2004

Board of Commissioners
Grand Traverse County, Michigan

In planning and performing our audit of the financial statements of ***Grand Traverse County*** as of and for the year ended December 31, 2004, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 31, 2004 on the financial statements of ***Grand Traverse County***.

We will review the status of these comments and suggestions during our next audit engagement. We have already discussed many of these comments and suggestions with County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank everyone at the County who assisted us during the audit and would like to commend the Finance department for the excellent work they do to provide useful accounting information for the audit and for the citizens of ***Grand Traverse County***.

Rehmann Robson

**GRAND TRAVERSE COUNTY
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2004**

PRIOR YEAR COMMENTS

A) Inmate Commissary

The Sheriff's Office maintains a separate bank account to record cash receipts and payments related to the operations of the inmate commissary. Currently this activity is recorded as part of the Inmate Trust Fund. The Department of Treasury's "*Uniform Budgeting Manual for Local Units of Government in Michigan*" requires that commissary activity be accounted for as an enterprise fund activity.

We recommend that an enterprise fund be established by a resolution of the Board of Commissioners for the inmate commissary and that the required chart of accounts be added to the County's accounting system.

B) Inmate Commissary Bank Account

Financial statements are prepared for the Inmate Commissary Trust Account (recorded as an agency fund) by obtaining the monthly bank statements and reconciliations. We noted there were difficulties in reviewing the bank reconciliations, which included either getting the reconciliations done in a timely manner or management's inability to prepare the reconciliations.

These accounts should be reconciled monthly. Monthly bank account reconciliation is a key control over the collection and disbursement process. If necessary, assistance should be requested from the finance or treasurer's office to ensure timely reconciliations are completed.

**GRAND TRAVERSE COUNTY
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2004**

CURRENT YEAR COMMENTS

A) Grand Traverse Pavilions Payroll Bank Account

The Grand Traverse Pavilions (Pavilions) payroll is paid from a separate payroll bank account maintained at the Pavilions, with their main bank account maintained by the County Treasurer. In order to obtain funds to cover payroll checks, cash is “vouchered” over from the County Treasurer. After the cash is vouchered over, the cash no longer exists on the books of the County and becomes an “off balance sheet” item because the cash is not recorded in the Pavilion's books. Generally, the payroll bank account holds no cash balance because the Pavilions only voucher over the amount needed to pay payroll checks.

However during 2004, the Pavilions vouchered amounts in excess of the amounts required for payroll checks. As a result, the unbooked payroll account balance at December 31, 2004 was \$15,617 and thus is very susceptible to misappropriation. We recommended in the future that the Pavilions voucher over only the amount of cash needed to cover their payroll checks or to place this account on the books of the Pavilions.

B) Grand Traverse Pavilions IT Security

The Pavilions currently has no procedure in place that ensures that passwords at control terminals or workstations are changed at regular intervals. This exposes the Pavilions to possible abuse of the computer system as individuals (internal or external) may learn other individuals passwords and use these passwords to abuse the system without being discovered. Changing passwords at regular intervals is a good control technique that would mitigate any abuse of the computer system.

C) Rehiring of Retired Employees

The County has a policy of rehiring employees who have retired from the County within 30 days of their retirement date. We noted during our testing and through inquiries of management that during 2004, that the County had hired back several employees who had been retired less than 30 days. These instances go against County policy and should be prevented from occurring in the future.

D) Fringe Benefits Internal Service Fund

During 2004, the County's Fringe Benefits Internal Service Fund billed amounts to other County funds for worker's compensation costs. The Fringe Benefits Fund already has a reserve for worker's compensation in the fund in excess of \$775,000. We recommend that the County's Fringe Benefits Fund not bill the County's other funds for worker's compensation cost until this reserve balance decreases significantly. This would eliminate the time and effort it takes to bill the other funds, overcharging on federal grants and could possibly prevent deficit fund balances from occurring in the other funds in the future.

E) Department of Public Works Cash Receipting

Currently, the Department of Public Works (DPW) has only one cash drawer which is used by all individuals who collect cash at the DPW. There are currently four individuals that use the drawer and if there was a shortage or overage in cash, there would be no way to identify which individual was responsible. We recommend that the DPW have separate cash drawers for each individual that collects cash to help in identifying who is responsible for shortages/overages.

F) Escheat Checks

In testing the outstanding check listing we noted checks outstanding for greater than two years. The State recommends that holders of unclaimed or uncalled for property (for example, outstanding checks) can divest themselves of the responsibility and accountability for such property by transferring such property to the Escheats Division of the Department of Treasury. We recommend that the checks outstanding from greater than two years be remitted to the State's Escheats Division. Procedural directions on how to escheat properly are located at the State's website.

G) Fraud

As the issue of fraud arises more and more, we would like to communicate to you several avenues where fraud can be deterred including the following:

- 1) **Requiring periodic job rotation and mandatory vacations.** When an employee stays in the same position for a long period and has few absences, an opportunity exists for that employee to design and commit fraud schemes. Requiring key individuals to rotate job periodically or to transfer to different job functions is one way to address this fraud risk. Requiring all individuals to take an annual vacation, during which time others perform their job functions, also makes it more difficult for an employee who is committing fraud to continue concealing the fraud scheme.
- 2) **Implementing an employee hotline.** Tips and complaints from fellow employees or vendors have enabled many organizations to discover occurrences of fraud. Anonymous telephone hotlines allow honest employees and vendors who may fear retaliation from fraud perpetrators to report unethical behavior without risking exposure.
- 3) **Independent checks of work performed.** Independent checks test another employee's work, such as by having a second employee reperform or test an employee's work.